

ELITE PHARMACEUTICALS INC /NV/  
Form 10-K  
June 30, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**FOR THE FISCAL YEAR ENDED – MARCH 31, 2014**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number: 001 – 15697

**ELITE PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

Nevada 22-3542636  
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

165 Ludlow Avenue, Northvale, New Jersey 07647

(Address of principal executive offices)

(201) 750 – 2646

(Registrant's telephone number, including area code)

Securities Registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
None	

Securities Registered pursuant to Section 12(g) of the Act:

**Common Stock, \$0.001 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes No  
.. x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act Yes No  
.. x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports) and (2) has been subject to such filing requirements for at least the past 90 days. Yes No  
x ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No  
x ..

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. Yes No  
.. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company  
.. .. .. x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes .. No x

State the aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (for purposes of determining this amount, only directors, executive officers and, based on Schedule 13(d) filings as of September 30, 2013, 10% or greater stockholders, and their respective affiliates, have been deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes).

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Title of Class	Aggregate Market Value	As of Close of Business on
Common Stock - \$0.001 par value	\$ 61,307,116	September 30, 2013

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date

Title of Class	Shares Outstanding	As of Close of Business on
Common Stock - \$0.001 par value	568,042,063	June 20, 2014

## DOCUMENTS INCORPORATED BY REFERENCE

None.

## FORWARD LOOKING STATEMENTS

*This Annual Report on Form 10-K and the documents incorporated herein contain “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, statements that are not statements of current or historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words “plan”, “intend”, “may,” “will,” “expect,” “believe”, “could,” “anticipate,” “estimate,” or “continue” or similar expressions or other variations or comparable terminology are intended to identify such forward-looking statements. All statements other than statements of historical fact included in this report regarding our financial position, business strategy and plans or objectives for future operations are forward-looking statements. Without limiting the broader description of forward-looking statements above, we specifically note, without limitation, that statements regarding the preliminary nature of the clinical program results and the potential for further product development, that involve known and unknown risks, delays, uncertainties and other factors not under our control, the requirement of substantial future testing, clinical trials, regulatory reviews and approvals by the Food and Drug Administration and other regulatory authorities prior to the commercialization of products under development, and our ability to manufacture and sell any products, gain market acceptance earn a profit from sales or licenses of any drugs or our ability to discover new drugs in the future are all forward-looking in nature. These risks and other factors are discussed in our filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, the Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

Table of Contents

PART I

ITEM 1	<u>BUSINESS</u>	5
ITEM 1A	<u>RISK FACTORS</u>	23
ITEM 1B	<u>UNRESOLVED STAFF COMMENTS</u>	36
ITEM 2	<u>PROPERTIES</u>	36
ITEM 3	<u>LEGAL PROCEEDINGS</u>	37
ITEM 4	<u>MINE SAFETY DISCLOSURES</u>	37

PART II

ITEM 5	<u>MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	38
ITEM 6	<u>SELECTED FINANCIAL DATA</u>	41
ITEM 7	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION</u>	41
ITEM 7A	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	50
ITEM 8	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	50
ITEM 9	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	50
ITEM 9A	<u>CONTROLS AND PROCEDURES</u>	50
ITEM 9B	<u>OTHER INFORMATION</u>	52

PART III

ITEM 10	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	52
ITEM 11	<u>EXECUTIVE COMPENSATION</u>	57
ITEM 12	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	67
ITEM 13	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE</u>	69
ITEM 14	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	73
<u>PART IV</u>		
ITEM 15	<u>EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES</u>	75
<u>SIGNATURES</u>		86

## PART I

### ITEM 1 BUSINESS

#### General

Elite Pharmaceuticals, Inc., a Nevada corporation (the “Company”, “Elite”, “*Elite Pharmaceuticals*”, the “registrant”, “we”, “us”, “our”) was incorporated on October 1, 1997 under the laws of the State of Delaware, and its wholly-owned subsidiary, Elite Laboratories, Inc. (“*Elite Labs*”), was incorporated on August 23, 1990 under the laws of the State of Delaware. On January 5, 2012, Elite Pharmaceuticals was reincorporated under the laws of the State of Nevada.

We are a specialty pharmaceutical company principally engaged in the development and manufacture of oral, controlled-release products, using proprietary know-how and technology, particularly as it relates to abuse resistant products. Our strategy includes improving off-patent drug products for life cycle management and developing generic versions of controlled-release drug products with high barriers to entry.

We own, license or contract manufacture eight products currently being sold commercially, as follows:

- Phentermine 37.5mg tablets (“Phentermine 37.5mg”)
- Lodrane D® Immediate Release capsules (“Lodrane D”)
- Methadone 10mg tablets (“Methadone 10mg”)
- Hydromorphone Hydrochloride 8mg tablets (“Hydromorphone 8mg”)
- Phendimetrazine tartrate 35mg tablets (“Phendimetrazine 35mg”)
- Phentermine 15mg capsules (“Phentermine 15mg”)
- Phentermine 30mg capsules (“Phentermine 30mg”)
- Naltrexone HCl 50mg tablets (“Naltrexone 50mg”)

We also recently acquired approved Abbreviated New Drug Applications (“ANDAs”) for 12 products (the “Mikah Approved ANDAs”) and one ANDA that is under active review with the FDA (the “Mikah ANDA Application Product”) that were acquired pursuant to the asset purchase agreement with Mikah Pharma dated August 1, 2013 (the “Mikah Asset Purchase Agreement”). On October 2, 2013, we executed a Manufacturing and License Agreement (the “Epic Agreement”) with Epic Pharma LLC. (“Epic”), to manufacture, market and sell in the United States and Puerto Rico 12 generic products owned by Elite. Of the 12 products, Epic will have the exclusive right to market six products as listed in Schedule A of the Epic Agreement, and a non-exclusive right to market six products as listed in Schedule D of the Epic Agreement. Epic is responsible for all regulatory and pharmacovigilance matters related to the products and for all costs related to the site transfer for all products. Pursuant to the Epic Agreement, Elite will receive a license fee and



milestone payments. The license fee will be computed as a percentage of the gross profit, as defined in the Epic Agreement, earned by Epic as a result of sales of the products. The manufacturing cost used for the calculation of the license fee is a predetermined amount per unit plus the cost of the drug substance (API) and the sales cost for the calculation is predetermined based on net sales. If Elite manufactures any product for sale by Epic, then Epic shall pay that same predetermined manufacturing cost per unit plus the cost of the API. The license fee is payable monthly for the term of the Epic Agreement. Epic shall pay to Elite certain milestone payments as defined by the Epic Agreement. We received the first milestone payment in November 2013. Subsequent milestone payments are due upon the filing of each product's supplement with the FDA and the FDA approval of site transfer for each product as specifically itemized in the Epic Agreement. The term of the Epic Agreement is five years and may be extended for an additional five years upon mutual agreement of the parties. Twelve months following the launch of a product covered by the Epic Agreement, Elite may terminate the marketing rights for any product if the license fee paid by Epic falls below a designated amount for a six month period of that product. Elite may also terminate the exclusive marketing rights if Epic is unable to meet the annual unit volume forecast for a designated Product group for any year, subject to the ability of Epic, during the succeeding six month period, to achieve at least one-half of the prior year's minimum annual unit volume forecast. The Epic Agreement may be terminated by mutual agreement of Elite and Epic, as a result of a breach by either party that is not cured within 60 days' notice of the breach or by Elite as a result of Epic becoming a party to a bankruptcy, reorganization or other insolvency proceeding that continues for a period of 30 days or more.

Elite has executed a license agreement with Precision Dose, Inc. (the “Precision Dose License Agreement”) and a manufacturing agreement with The PharmaNetwork LLC (the “TPN Agreement”). The PharmaNetwork LLC was recently purchased by Alkem Laboratories Ltd (“Alkem”). The PharmaNetwork now goes by the name Ascend Laboratories LLC (“Ascend”) and is a wholly owned subsidiary of Alkem.

The Precision Dose License Agreement provides for the marketing and distribution, in the United States, Puerto Rico and Canada, of Phentermine 37.5mg, Phentermine Capsules, Hydromorphone 8mg, Naltrexone Generic, and certain additional products that require approval from the FDA. Phentermine 37.5mg tablets were launched in April 2011. Hydromorphone 8mg was launched in March 2012. Phentermine 15mg and Phentermine 30mg were launched in April 2013. Naltrexone 50mg was launched in September 2013.

On May 9, 2014 Precision Dose Inc., the parent company of TAGI Pharmaceuticals, Inc., commenced an arbitration proceeding alleging that the Company failed to properly supply, price and satisfy gross profit minimums regarding Phentermine 37.5mg tablets, as required by the parties’ agreements. Elite denies Precision Dose’s allegations and has counterclaimed that Precision Dose is no longer entitled to exclusivity rights with respect to Phentermine 37.5mg tablets, and is responsible for certain costs, expenses, price increases and lost profits relating to Phentermine 37.5mg tablets and the parties’ agreements.

As of the date of filing of this annual report on Form 10-K, this arbitration proceeding was ongoing.

The TPN Agreement, executed on June 23, 2011, and amended on September 24, 2012, provides for the manufacture and packaging by the Company of Ascend’s methadone hydrochloride, 10mg tablets (“Methadone 10mg”), with the Methadone 10mg to be marketed by Ascend. The FDA has approved the manufacturing of Methadone 10mg at the Northvale Facility and the initial shipment of Methadone 10mg occurred during January 2012.

In addition, Elite also has an undisclosed generic product filed with the FDA that is awaiting review and for which Elite retains all rights.

The Company also has a pipeline of additional generic drug candidates under active development.

Additionally, the Company is developing abuse resistant opioid products, and once-daily opioid products.

On May 22, 2012, the United States Patent and Trademark Office (“USPTO”) issued U.S. Patent No. 8,182,836, entitled “Abuse-Resistant Oral Dosage Forms and Method of Use Thereof, with such patent providing further protection for the Company’s Abuse Resistant Technology.

On April 23, 2013, the USPTO issued U.S. Patent No. 8,425,933, entitled “Abuse-Resistant Oral Dosage Forms and Method of User Thereof”, with such patent providing further protection for the Company’s Abuse Resistant Technology.

On April 22, 2014, the USPTO issued U.S. Patent No. 8,703,186, entitled “Abuse-Resistant Oral Dosage Forms and Method of Use Thereof”, with such patent providing further protection for the Company’s Abuse Resistant Technology.

The Northvale Facility operates under Current Good Manufacturing Practice (“cGMP”) and is a United States Drug Enforcement Agency (“DEA”) registered facility for research, development and manufacturing.

## **Strategy**

Elite is focusing its efforts on the following areas: (i) development of Elite’s pain management products; (ii) manufacturing of a line of generic pharmaceutical products with approved ANDAs; (iii) development of additional generic pharmaceutical products; (iv) development of the other products in our pipeline including the products with our partners; (v) commercial exploitation of our products either by license and the collection of royalties, or through the manufacture of our formulations; and (vi) development of new products and the expansion of our licensing agreements with other pharmaceutical companies, including co-development projects, joint ventures and other collaborations.

Elite is focusing on the development of various types of drug products, including branded drug products which require new drug applications (“NDAs”) under Section 505(b)(1) or 505(b)(2) of the Drug Price Competition and Patent Term Restoration Act of 1984 (the “Drug Price Competition Act”) as well as generic drug products which require ANDAs.

Elite believes that its business strategy enables it to reduce its risk by having a diverse product portfolio that includes both branded and generic products in various therapeutic categories and to build collaborations and establish licensing agreements with companies with greater resources thereby allowing us to share costs of development and improve cash-flow.

## **Elite’s Purchase of a Generic Phentermine Product**

On September 10, 2010, Elite, together with its subsidiary, Elite Laboratories, Inc., executed a Purchase Agreement (the “Phentermine Purchase Agreement”) with Epic Pharma, LLC (“Epic Pharma”) for the purpose of acquiring from Epic an ANDA for a generic phentermine product (the “Phentermine ANDA”), with such being filed with the FDA at the time the Phentermine Purchase Agreement was executed. On February 4, 2011, the FDA approved the Phentermine ANDA. The acquisition of the Phentermine ANDA closed on March 31, 2011 and Elite paid the full acquisition price of \$450,000 from the purchase agreement with Epic Pharma.

This product is being marketed and distributed by Precision Dose Inc. (“Precision Dose”) and its wholly owned subsidiary, TAGI Pharma Inc. (“TAGI”) pursuant license and manufacturing agreements dated September 10, 2010. A description of such manufacturing and licensing agreement with Precision Dose is set forth below.

### **Elite's Purchase of a Generic Hydromorphone HCl Product**

On May 18, 2010, Elite executed an asset purchase agreement with Mikah Pharma LLC ("Mikah") (the "Hydromorphone Agreement"). Pursuant to the Hydromorphone Agreement, the Company acquired from Mikah an ANDA for Hydromorphone Hydrochloride Tablets USP, 8 mg ("Hydromorphone 8mg") for aggregate consideration of \$225,000, comprised of an initial payment of \$150,000, which was made on May 18, 2010. A second payment of \$75,000 was due to be paid to Mikah on June 15, 2010, with the Company having the option to make this payment in cash or by issuing to Mikah 937,500 shares of the Company's Common Stock. The Company elected and did issue 937,500 shares of Common Stock during the quarter ended December 31, 2010, in full payment of the \$75,000 due to Mikah pursuant to the asset purchase agreement dated May 18, 2010.

On May 31, 2011, the Company received a letter from the FDA responding to a Changes Being Effected in 30 Days ("CBE 30") supplement filed by the Company with the agency to change the manufacturing and packaging location of the Hydromorphone Hydrochloride Tablets USP, 8 mg ANDA purchased from Mikah Pharma. The letter from the FDA informed the Company that the agency has reclassified the application as a prior approval supplemental application which has delayed the commercialization. On January 23, 2012, the Company received a letter from the FDA approving the application.

As a result of the delay in commercialization resulting from the reclassification of the Company's application, the Company recorded an impairment of the ANDA asset acquired from Mikah Pharma pursuant to the Hydromorphone Agreement in an amount equal to the entire purchase price of the acquisition.

This product is being marketed and distributed by Precision Dose and its wholly owned subsidiary, TAGI, pursuant license and manufacturing agreements dated September 10, 2010. A description of such manufacturing and licensing agreement with Precision Dose is set forth below.

### **Elite's Purchase of a Generic Naltrexone Product**

On August 27, 2010, Elite executed an asset purchase with Mikah (the "Naltrexone Agreement"). Pursuant to the Naltrexone Agreement, Elite acquired from Mikah the ANDA number 75-274 (Naltrexone Hydrochloride Tablets USP, 50 mg), and all amendments thereto, that have to date been filed with the FDA seeking authorization and approval to manufacture, package, ship and sell the products described in this ANDA within the United States and its territories (including Puerto Rico) for aggregate consideration of \$200,000. In lieu of cash, Mikah agreed to accept from Elite product development services to be performed by Elite.

On December 14, 2011, the Company received an e-mail from the FDA responding to a Changes Being Effected in 30 Days ("CBE 30") supplement filed by the Company with the agency to change the manufacturing and packaging location of the Naltrexone Hydrochloride Tablets USP, 50 mg ANDA purchased from Mikah Pharma. The e-mail from the FDA informed the Company that the agency has reclassified the application as a prior approval supplemental application which will delay the commercialization. The Company received approval from the FDA of its application for transfer of manufacturing site and made its initial shipment in September 2013.

As a result of the delay in commercialization resulting from the reclassification of the Company's application, the Company recorded an impairment of the ANDA asset acquired from Mikah Pharma pursuant to the Naltrexone Agreement in an amount equal to the entire purchase price of the acquisition.

This product is being marketed and distributed by Precision Dose Inc. ("Precision Dose") and its wholly owned subsidiary, TAGI Pharma Inc. ("TAGI") pursuant license and manufacturing agreements dated September 10, 2010. A description of such manufacturing and licensing agreement with Precision Dose is set forth below.

### **Elite's Acquisition of 13 Abbreviated New Drug Applications ("ANDAs")**

As disclosed above, on August 1, 2013, Elite executed an asset purchase agreement (the "Mikah Purchase Agreement") with Mikah and acquired from Mikah a total of 13 ANDAs, consisting of 12 ANDAs approved by the FDA and on ANDA under active review with the FDA, and all amendments thereto (the "Mikah 13 ANDA Acquisition") for aggregate consideration of \$10,000,000, payable pursuant to a secured convertible note due in August 2016.

Each of the products referenced in the 12 approved ANDAs require manufacturing site approval with the FDA. Elite will submit filings to the FDA for each of the products for the manufacturing site transfer. Elite believes that the site transfers qualify for CBE 30 review, with one exception, which would allow for the product manufacturing transfer on an expedited basis. However, Elite can give no assurances that all will qualify for CBE 30 review, or on the timing of these transfers of manufacturing site, or on the approval by the FDA of the transfers of manufacturing site.

As of April 22, 2014 (the latest practicable date), Elite has been approved to manufacture, Phendimetrazine 35mg tablets at the Northvale Facility. A CBE 30 application has been filed with the FDA and is pending for the manufacture of Isradipine 2.5mg 5mg capsules at the Northvale Facility.

Elite has executed a Manufacturing and License Agreement with Epic Pharma dated October 2, 2013 (the "Epic Pharma Manufacturing and License Agreement"), relating to the manufacturing, marketing and sale of these 12 ANDAs. Please see below for further details on the Epic Pharma Manufacturing and License Agreement.

### **Licensing Agreement with Precision Dose Inc.**

On September 10, 2010, Elite executed a License Agreement with Precision Dose (the "Precision Dose License Agreement") to market and distribute Phentermine 37.5mg, Phentermine 15mg, Phentermine 30mg, Hydromorphone 8mg, Naltrexone 50mg, and certain additional products that require approval from the FDA, through its wholly-owned subsidiary, TAGI Pharma, Inc. in the United States, Puerto Rico and Canada (the "Precision Dose License Agreement"). Phentermine 37.5mg was launched in April 2011. Hydromorphone 8mg was launched in March 2012. Phentermine 15mg and Phentermine 30mg were launched in April 2013. Naltrexone 50mg was launched in September. Precision Dose will have the exclusive right to market these products in the United States and Puerto Rico and a non-exclusive right to market the products in Canada.

Pursuant to the Precision Dose License Agreement, Elite will receive a license fee and milestone payments. The license fee will be computed as a percentage of the gross profit, as defined in the Precision Dose License Agreement,



earned by Precision Dose as a result of sales of the products. The license fee is payable monthly for the term of the Precision Dose License Agreement. The milestone payments will be paid in six installments. The first installment was paid upon execution of the License Agreement. The remaining installments are to be paid upon FDA approval and initial shipment of the products to Precision Dose. The term of the License Agreement is 15 years and may be extended for 3 successive terms, each of 5 years. Please see Item 3. Legal Proceedings below for details of an arbitration proceeding commenced by Precision Dose related to certain terms and conditions of the Precision Dose License Agreement.

## **Manufacturing and License Agreement with Epic Pharma LLC**

On October 2, 2013, Elite executed the Epic Pharma Manufacturing and License Agreement. This agreement granted Epic Pharma certain rights to manufacture, market and sell in the United States and Puerto Rico the 12 approved ANDAs acquired by Elite pursuant to the Mikah Purchase Agreement. Of the 12 approved ANDAs, Epic Pharma will have the exclusive right to market six products as listed in Schedule A of the Epic Pharma Manufacturing and License Agreement, and a non-exclusive right to market six products as listed in Schedule D of the Epic Pharma Manufacturing and License Agreement. Epic Pharma is responsible for all regulatory and pharmacovigilance matters related to the products and for all costs related to the site transfer for all products. Pursuant to the Epic Pharma Manufacturing and License Agreement, Elite will receive a license fee and milestone payments. The license fee will be computed as a percentage of the gross profit, as defined in the Epic Pharma Manufacturing and License Agreement, earned by Epic Pharma a result of sales of the products. The manufacturing cost used for the calculation of the license fee is a predetermined amount per unit plus the cost of the drug substance (API) and the sales cost for the calculation is predetermined based on net sales. If Elite manufactures any product for sale by Epic Pharma, then Epic Pharma shall pay to Elite that same predetermined manufacturing cost per unit plus the cost of the API. The license fee is payable monthly for the term of the Epic Pharma Manufacturing and License Agreement. Epic Pharma shall pay to Elite certain milestone payments as defined by the Epic Pharma Manufacturing and License Agreement. The first milestone payment of \$600,000 has been paid. Subsequent milestone payments are due upon the filing of each product's supplement with the FDA, and the FDA approval of site transfer for each product as specifically itemized in the Epic Pharma Manufacturing and License Agreement. The filing of the supplement with the FDA for Isradipine 2.5mg and Isradipine 5mg was made on March 24, 2014 and accordingly a milestone of \$200,000 has been earned and is due and owing from Epic Pharma to Elite. The term of the Epic Pharma Manufacturing and License Agreement is five years and may be extended for an additional five years upon mutual agreement of the parties. Twelve months following the launch of a product covered by the Epic Pharma Manufacturing and License Agreement, Elite may terminate the marketing rights for any product if the license fee paid by Epic Pharma falls below a designated amount for a six month period of that product. Elite may also terminate the exclusive marketing rights if Epic Pharma is unable to meet the annual unit volume forecast for a designated product group for any year, subject to the ability of Epic Pharma, during the succeeding six month period, to achieve at least one-half of the prior year's minimum annual unit forecast. The Epic Pharma Manufacturing and License Agreement may be terminated by mutual agreement of Elite and Epic Pharma, as a result of a breach by either party that is not cured within 60 days notice of the breach, or by Elite as a result of Epic Pharma becoming a party to a bankruptcy, reorganization or other insolvency proceeding that continues for a period of 30 days or more.

## **Research and Development**

Elite is actively involved in research and development activities, particularly in relation to the development of a line of abuse deterrent opioid products. We incurred total costs of approximately \$4.0 million during the fiscal year ended March 31, 2014 ("Fiscal 2014") and approximately \$1.0 million during the fiscal year ended March 31, 2013 ("Fiscal 2013") in relation to research and development activities. It is, however, our general policy, for competitive reasons, and because disclosure of certain information might suggest the occurrence of future matters or events that may not occur, not to disclose specific products in our development pipeline or the status of such product development activities until a product reaches a stage that we determine, in our discretion, to be appropriate for disclosure.

## **Commercial Products**

### **Phentermine 37.5mg, Phentermine 15mg and Phentermine 30mg**

The first shipment of Phentermine 37.5 mg to TAGI was made in April 2011, with such initial shipment triggering a milestone payment under the Precision Dose License Agreement. The first shipments of Phentermine 15mg and Phentermine 30mg were made in April 2013, with such initial shipments triggering a milestone payment under the Precision Dose License Agreement, with such milestone payments being made. All three products are now commercial products being manufactured by Elite and distributed by TAGI under the Precision Dose License Agreement.

### **Lodrane D® Immediate Release capsules**

On September 27, 2011, the Company, along with ECR Pharmaceuticals (“ECR”), a wholly owned subsidiary of Hi-Tech Pharmacal (“Hi-Tech”) launched Lodrane D®, an immediate release formulation of brompheniramine maleate and pseudoephedrine HCl, an effective, low-sedating antihistamine combined with a decongestant.

Lodrane D® is promoted and distributed in the U.S. by ECR, Hi-Tech’s branded division. Lodrane D® is available over-the-counter but also has physician promotion. Lodrane D® is the one of the only adult brompheniramine containing products available to the consumer at this time.

Lodrane D® is marketed under the Over-the-Counter Monograph (the “OTC Monograph”) and accordingly, under the Code of Federal Regulations can be lawfully marketed in the US without prior approval. Under the Federal Food Drug and Cosmetic Act (“FDCA”), FDA regulations and statements of FDA policy, certain drug products are permitted to be marketed in the U.S. without prior approval. Within the past few years, the FDA has revised its enforcement policies, significantly limiting the circumstances under which these unapproved products may be marketed. If the FDA determines that a company is distributing an unapproved product that requires approval, the FDA may take enforcement action in a variety of ways, including, without limitation, product seizures and seeking a judicial injunction against distribution.

Elite is manufacturing the product for ECR and will receive revenues for the manufacturing, packaging and laboratory stability study services for the product, as well as royalties on sales.

### **Methadone 10mg tablets**

On January 17, 2012, Elite commenced shipping Methadone 10mg tablets to Ascend Laboratories, LLC. (“Ascend”) pursuant to a commercial manufacturing and supply agreement dated June 23, 2011 between Elite and Ascend (the “Methadone Manufacturing and Supply Agreement”). Under the terms of the Methadone Manufacturing and Supply Agreement, Elite performs manufacturing and packaging of Methadone 10mg for Ascend.

### **Hydromorphone 8mg tablets**

The first shipment of Hydromorphone 8mg to TAGI was made in March 2012, with such initial shipment triggering a milestone payment under the Precision Dose License Agreement. This product is now a commercial product being manufactured by Elite and distributed by TAGI under the Precision Dose License Agreement.

**Phendimetrazine Tartrate 35 mg tablets**

On November 13, 2012, the Company made the initial shipment of Phendimetrazine tartrate 35mg tablets, the generic equivalent of Bontril PDM® 35mg tablets under a previously announced manufacturing and supply agreement with Mikah Pharma (“Mikah”). Subsequently, Elite acquired the ANDA for Phendimetrazine 35mg as part of the Mikah 13 ANDA Acquisition. This product is now a commercial product being manufactured by Elite and distributed by Epic on a non-exclusive basis, and by Elite.

### **Naltrexone 50mg tablets**

The first shipment of Hydromorphone 8mg to TAGI was made in September 2013, with such initial shipment triggering a milestone payment under the Precision Dose License Agreement. This product is now a commercial product being manufactured by Elite and distributed by TAGI under the Precision Dose License Agreement.

### **Approved Products**

Elite is the owner of the following approved Abbreviated New Drug Applications:

- Phentermine 37.5mg
- Hydromorphone 8mg
- Naltrexone 50mg
- Phentermine 15mg
- Phentermine 30mg
- Phendimetrazine 35mg
- Isradipine 2.5mg tablets and Isradipine 5mg tablets (“Isradipine tablets”)
  - 10 undisclosed ANDAs acquired as part of the Mikah 13 ANDA Acquisition

### **Phentermine HCl 37.5mg tablets**

The ANDA for Phentermine 37.5mg was acquired pursuant to an asset purchase agreement with Epic Pharma LLC (“Epic”) dated September 10, 2010 (the “Phentermine Purchase Agreement”).

### **Hydromorphone HCl 8mg tablets**

The ANDA for Hydromorphone 8mg was acquired pursuant to an asset purchase agreement with Mikah Pharma LLC (the “Hydromorphone Purchase Agreement”).

Transfer of the manufacturing process of Hydromorphone 8mg to the Northvale Facility, a prerequisite of the Company’s commercial launch of the product, was approved by the FDA on January 23, 2012. However, please note that the completion of such transfer had been significantly delayed as a result of the FDA’s reclassification of the

Company's CBE-30 supplement filing to a prior approval supplement filing. As a result of the delays caused by this reclassification, the Company recorded an impairment of the Hydromorphone 8mg ANDA in an amount equal to the entire purchase price of the acquisition. This impairment was recorded and is included in the Company's audited financial statements as of March 31, 2011.

#### **Naltrexone HCl 50mg tablets**

The ANDA for Naltrexone 50mg was acquired pursuant to an asset purchase agreement with Mikah Pharma LLC (the "Naltrexone Purchase Agreement").

Transfer of the manufacturing process of Naltrexone 50mg to the Northvale Facility, a prerequisite of the Company's commercial launch of the product, was approved and initial shipment of Naltrexone 50mg was made in September 2013. However, please note that the completion of such transfer had been significantly delayed as a result of the FDA's reclassification of the Company's CBE-30 supplement filing to a prior approval supplement filing. As a result of the delays caused by this reclassification, the Company recorded an impairment of the Naltrexone 50mg ANDA in an amount equal to the entire purchase price of the acquisition. This impairment was recorded and is included in the Company's audited financial statements as of March 31, 2011.

### **Phentermine 15mg and Phentermine 30mg**

Elite received approval as of September 28, 2012 from the FDA for Phentermine 15mg and Phentermine 30mg. These products were developed by Elite. The commercial launch of Phentermine 15mg and Phentermine 30mg had been delayed due to the sole supplier of the API approved for these products restricting the amount of such API available to Elite. We resolved this issue and the Phentermine 15mg and Phentermine 30mg products were launched in April 2013. The resolution of this issue related to the supply of API, however, required us to pay substantially higher prices than previously paid for the Phentermine API in order to launch the products in April 2013, while seeking approval from the FDA of an alternate supplier of the API. Approval by the FDA of the alternate supplier was received in January 2014, resulting in lower prices and a sufficient supply of materials.

### **Phendimetrazine 35mg**

The ANDA for Phendimetrazine 35mg was acquired by Elite as part of the Mikah 13 ANDA Acquisition. The Northvale Facility was already an approved manufacturing site for this product as of the date of the Mikah Purchase Agreement. Prior to the acquisition of this ANDA, Elite had been manufacturing this product on a contract basis pursuant to a manufacturing and supply agreement with Mikah Pharma, dated June 1, 2011 (please see below for details).

### **Contract Manufacturing of Isradipine and Phendimetrazine**

On June 1, 2011, Elite executed a Manufacturing and Supply Agreement (the “Isradipine/ Phendimetrazine Agreement”) with Mikah Pharma, LLC (“Mikah”) to undertake and perform certain services relating to two generic products: Isradipine Capsules USP, 2.5 mg and 5 mg (“Isradipine”) and Phendimetrazine Tartrate Tablets USP, 35 mg (“Phendimetrazine”), including (a) developing and preparing the documentation required for the transfer of the manufacturing process to Elite’s facility and the appropriate regulatory filing for the ANDA, and (b) manufacturing finished dosage forms appropriate for commercial sale, marketing and distribution in the United States, its territories, possessions, and commonwealths in accordance with the requirements of the Isradipine/ Phendimetrazine Agreement; Elite is required to perform, at its sole cost and expense, all Technology Transfer, validation and qualification services (including: equipment, methods and facility qualification), validation and stability services required by Applicable Laws to commence manufacturing Isradipine and Phendimetrazine for commercial sale by Mikah or its designees in accordance with the terms of the Isradipine/ Phendimetrazine Agreement. During the term of the Isradipine/ Phendimetrazine Agreement and subject to the provisions therein, Mikah is required to purchase from Elite and Elite agrees to manufacture and supply solely and exclusively to Mikah, such Isradipine and Phendimetrazine as Mikah may order from time to time pursuant to the Isradipine/ Phendimetrazine Agreement. Mikah will compensate Elite at an agreed upon transfer price for the manufacturing and packaging of Isradipine and Phendimetrazine. For the Isradipine product, Elite will also receive a 10% royalty on net profits of the finished Product. The payment is to be



calculated and paid quarterly. Elite will also receive a onetime milestone payment for each Product for the work associated with the Technology transfer. The milestone payment shall be made upon the successful manufacturing and testing of the exhibit batch. The Isradipine/ Phendimetrazine Agreement has a term of five years and automatically renews for additional periods of one year unless Mikah provides written notice of termination to Elite at least six months prior to the expiration of the Term or any Renewal Term.

On November 13, 2012, the Company made the initial shipment of Phendimetrazine tartrate 35mg tablets, the generic equivalent of Bontril PDM® 35mg tablets under a previously announced manufacturing and supply agreement with Mikah Pharma (“Mikah”).

Bontril PDM® and its generic equivalents had total U.S. sales of approximately \$3.5 million for the twelve months ended September 2012, based on IMS Health Data. The Company will be compensated at an agreed upon price for the manufacturing and packaging of this product.

On August 1, 2013, Elite executed the Mikah Purchase Agreement in relation to the Mikah 13 ANDA Acquisition, with such transaction including the transfer of ANDAs for Phendimetrazine 35mg and Isradipine 2.5mg and 5mg. In addition, the principal owner of Mikah, Mr. Nasrat Hakim, assumed the position of Elite's Chief Executive Officer and President on August 2, 2013. Accordingly, the Mikah Purchase Agreement has been terminated by mutual consent of the parties thereto.

#### **Development and License Agreement with Hong Kong based company**

On March 16, 2012, Elite executed a Development and License Agreement ("D&L Agreement") with a private Hong Kong-based company (the "Hong Kong-based Customer") for Elite to develop for the Hong Kong-based Customer a branded prescription pharmaceutical product in the United States. The Hong Kong-based Customer has informed us that it has been in business for more than five years and it has multiple FDA approved manufacturing sites outside of the United States.

Pursuant to the D&L Agreement, the Hong Kong-based Customer has engaged Elite to develop and manufacture a prescription pharmaceutical product (the "Prescription Product"). Elite agrees to be the Preferred Manufacturer and supplier of the Prescription Product pursuant to the D&L Agreement and perform maintenance activities such as stability or annual report filings for the Prescription Product. The Hong Kong-based Customer, or its designees, shall prepare all applications necessary to obtain any Prescription Product registration and permits required to file the Prescription Product in the Territories required to market the Prescription Product. All Registrations shall be solely owned by the Hong Kong-based Customer including any NDA filed with the FDA for the Prescription Product. Elite shall provide the Hong Kong-based Customer with all pharmaceutical, technical, and clinical data and information in support of the NDA application by the Hong Kong-based Customer for the approval of the Prescription Product. In consideration of Elite's performance in accordance with the terms and conditions of the D&L Agreement, the Hong Kong-based Customer shall pay Elite milestone for the Development Program and shall pay Elite for the manufacturing of the Prescription Product. Maintenance activities will be paid separately on a quarterly basis.

The Hong Kong-based Customer shall own and market the Prescription Product under its own Trademark. The term of this D&L Agreement shall be effective from the date consummated and shall continue for a five (5) year term after the commercial launch of the Prescription Product. Upon the expiration of the initial term or any renewal term, this D&L Agreement will automatically renew for an additional one (1) year term, unless one Party gives at least six (6) months notice in writing in advance of its intent not to renew.

**Discontinued Products - Lodrane 24® and Lodrane 24D®**

On March 3, 2011, the FDA announced its intention to remove approximately 500 cough/cold and allergy related products from the U.S. market. The once daily allergy products manufactured by Elite, Lodrane 24® and Lodrane 24D® (the “Lodrane® Extended Release Products”), were included in the FDA list of 500 products. After this announcement by the FDA, the Company’s customer for the Lodrane® Extended Release Products cancelled all outstanding orders and manufacturing of the Lodrane® Extended Release Products has ceased. The shipments made during the quarter ended June 30, 2011 consisted solely of quantities that were in production at the time ECR cancelled all outstanding orders. There were no shipments of the Lodrane Extended Release Products subsequent to those that were made during the quarter ended June 30, 2011.

ECR (the owner and marketer of the Lodrane® Extended Release Products) initiated a formal approval process with the FDA in 2010 regarding the Lodrane® Extended Release Products and issued a press release on March 3, 2011 stating that they will continue to actively pursue approval for the Lodrane® Extended Release Products. In addition, on April 29, 2011, ECR filed a Petition for Review with the United States Court of Appeals for the District of Columbia, petitioning such court to review and set aside the final order of the FDA with relation to the Lodrane® Extended Release Products. The Company has received no further information from ECR with regards to the status of the Petition filed.

The Lodrane® Extended Release Products were co-developed with our partner, ECR, and the Company was receiving revenues from the manufacture of the Lodrane® Products and laboratory stability study services, as well as royalties on in-market sales. Contracts relating to the manufacture and sale of the Lodrane® Extended Release Products were formally terminated on April 26, 2013.

During the three months ended June 30, 2011, Elite made its final shipments of the Lodrane® Extended Release Products. In addition, the Company sold to ECR, at cost without markup, all raw materials related to the manufacture of the Lodrane® Extended Release Products which remained in stock subsequent to the final shipment of the Lodrane® Extended Release Products. As manufacturing of the Lodrane® Extended Release Products has ceased, there will be no further manufacturing revenues derived from the Lodrane® Extended Release Products unless and until such products receive the necessary approvals from the FDA.

Please note that there can be no assurances that such approvals will be granted or that future manufacturing revenues will be earned by the Company from the manufacture of the Lodrane® Extended Release Products, should such approvals be granted by the FDA. Furthermore, the Company has been advised that ECR has decided not to proceed with the development of the extended release formulations marketed under the Lodrane® brand. The Company also has no plans currently to proceed with the development of an extended release brompheniramine/pseudoephedrine product. Notwithstanding the foregoing, Elite may proceed with the development of these formulations and may seek partners in conjunction with such activities, but there can be no assurances that the Company will pursue the development of these formulations, or that such development activities, if pursued, will result in approvals from the FDA. Please also note that the Company does not have ownership of the Lodrane® brand name, and that if any products containing the formulations associated with the Lodrane® brand name are approved and marketed, such would be done under a different brand name.

While Elite's manufacturing of the Lodrane® Extended Release Products has ceased, the sale of such products in the US market was still permitted by the FDA until August 30, 2011. The Company earned royalties on any in-market sales that occurred up to that date.

Contract laboratory services for the Lodrane® Extended Products will continue, on a residual basis, as such services consist of stability studies that must be performed over certain defined time periods. These revenues are expected to be significantly less than laboratory service revenues earned in periods prior to the removal of the Extended Release Lodrane products from the market and eventually ending.

## **Products Under Development**

It is our general policy not to disclose products in our development pipeline or the status of such products until a product reaches a stage that we determine, for competitive reasons, in our discretion, to be appropriate for disclosure and because the disclosure of such information might suggest the occurrence of future matters or events that may not occur.

## **Abuse Resistant and Sustained Release Opioids**

The abuse resistant opioid products utilize our patented abuse-deterrent technology that is based on a pharmacological approach. These products are combinations of a narcotic agonist formulation intended for use in patients with moderate to severe pain, and an antagonist, formulated to deter abuse of the drug. Both, agonist and antagonist, have been on the market for a number of years and sold separately in various dose strengths. Elite has filed INDs for the first two abuse resistant products under development and has tested products in various pharmacokinetic studies. Elite expects to continue to develop multiple abuse resistant products. Products utilizing the pharmacological approach to deter abuse such as Suboxone®, a product marketed in the United States by Reckitt Benckiser Pharmaceuticals, Inc., and Embeda®, a product marketed in the United States by Pfizer, Inc., have been approved by the FDA and are being marketed in the United States.

Elite has developed, and retains the rights to these abuse resistant and sustained release opioid products. Elite may license these products at a later date to a third party who could provide funding for the remaining clinical studies and who could provide sales and distribution for the product. The drug delivery technology development underlying the sustained release products was initiated under a joint venture with Elan which terminated in 2002.

According to the Elan Termination Agreement, Elite acquired all proprietary, development and commercial rights for the worldwide markets for the products developed by the joint venture, including the sustained release opioid products. Upon licensing or commercialization of a once daily oxycodone product, Elite will pay a royalty to Elan pursuant to the Termination Agreement. If Elite were to sell the product itself, Elite will pay a 1% royalty to Elan based on the product's net sales, and if Elite enters into an agreement with another party to sell the product, Elite will pay a 9% royalty to Elan based on Elite's net revenues from this product. (Elite's net product revenues would include license fees, royalties, manufacturing profits and milestones) Elite is allowed to recoup all development costs including research, process development, analytical development, clinical development and regulatory costs before payment of any royalties to Elan.

## **Novel Labs Investment**

At the end of 2006, Elite entered into a joint venture with VGS Pharma, LLC (“VGS”) and created Novel Laboratories, Inc. (“Novel”), a privately-held company specializing in pharmaceutical research, development, manufacturing, licensing, acquisition and marketing of specialty generic pharmaceuticals. Novel's business strategy is to focus on its core strength in identifying and timely executing niche business opportunities in the generic pharmaceutical area. Elite owned less than 10% of the outstanding shares of Class A Voting Common Stock of Novel.

Elite commenced an action against VGS, Novel and related parties (collectively, the “VGS Parties”) related to the Novel transactions. The action was settled and, pursuant to that settlement, in June 2014, Elite received \$5,000,000 from the VGS Parties in exchange for 9,800 shares of Novel Class A common stock owned by Elite. This resolved all disputes and claims between the Company and the VGS Parties and ended the Company's ownership in Novel.

## Patents

Since our incorporation, we have secured eight United States patents of which two have been assigned for a fee to another pharmaceutical company. Elite's patents are:

<b>PATENT</b>	<b>EXPIRATION DATE</b>
U.S. patent 5,837,284 (assigned to Celgene Corporation)	November 2018
U.S. patent 6,620,439	October 2020
U.S. patent 6,635,284 (assigned to Celgene Corporation)	March 2018
U.S. patent 6,926,909	April 2023
U.S. patent 8,182,836	April 2024
U.S. patent 8,425,933	April 2024
U.S. patent 8,703,186	April 2024
Canadian patent 2,521,655	April 2024

We also have pending applications for two additional U.S. patents and three foreign patents. We intend to apply for patents for other products in the future; however, there can be no assurance that any of the pending applications or other applications which we may file will be granted. We have also filed corresponding foreign applications for key patents.

Prior to the enactment in the United States of new laws adopting certain changes mandated by the General Agreement on Tariffs and Trade ("GATT"), the exclusive rights afforded by a U.S. Patent were for a period of 17 years measured from the date of grant. Under GAAT, the term of any U.S. Patent granted on an application filed subsequent to June 8, 1995 terminates 20 years from the date on which the patent application was filed in the United States or the first priority date, whichever occurs first. Future patents granted on an application filed before June 8, 1995, will have a term that terminates 20 years from such date, or 17 years from the date of grant, whichever date is later.

Under the Drug Price Competition Act, a U.S. product patent or use patent may be extended for up to five years under certain circumstances to compensate the patent holder for the time required for FDA regulatory review of the product. Such benefits under the Drug Price Competition Act are available only to the first approved use of the active ingredient in the drug product and may be applied only to one patent per drug product. There can be no assurance that we will be able to take advantage of this law.

Also, different countries have different procedures for obtaining patents, and patents issued by different countries provide different degrees of protection against the use of a patented invention by others. There can be no assurance, therefore, that the issuance to us in one country of a patent covering an invention will be followed by the issuance in other countries of patents covering the same invention, or that any judicial interpretation of the validity, enforceability,



or scope of the claims in a patent issued in one country will be similar to the judicial interpretation given to a corresponding patent issued in another country. Furthermore, even if our patents are determined to be valid, enforceable, and broad in scope, there can be no assurance that competitors will not be able to design around such patents and compete with us using the resulting alternative technology.

We also rely upon unpatented proprietary and trade secret technology that we seek to protect, in part, by confidentiality agreements with our collaborative partners, employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors. There can be no assurance that these agreements provide meaningful protection or that they will not be breached, that we will have adequate remedies for any such breach, or that our trade secrets, proprietary know-how, and technological advances will not otherwise become known to others. In addition, there can be no assurance that, despite precautions taken by us, others have not and will not obtain access to our proprietary technology.

## **Trademarks**

We currently plan to license our products to other entities engaged in the marketing of pharmaceuticals and not to sell under our own brand name and so we do not currently intend to register any trademarks related to our products.

## ***Government Regulation and Approval***

The design, development and marketing of pharmaceutical compounds, on which our success depends, are intensely regulated by governmental regulatory agencies, in particular the FDA. Non-compliance with applicable requirements can result in fines and other judicially imposed sanctions, including product seizures, injunction actions and criminal prosecution based on products or manufacturing practices that violate statutory requirements. In addition, administrative remedies can involve voluntary withdrawal of products, as well as the refusal of the FDA to approve ANDAs and NDAs. The FDA also has the authority to withdraw approval of drugs in accordance with statutory due process procedures.

Before a drug may be marketed, it must be approved by the FDA either by an NDA or an ANDA, each of which is discussed below.

Please note that, as discussed in “Discontinued Products” above, in March 2011, the FDA announced its intention to remove approximately 500 cough/cold and allergy related products from the U.S. market, with such list of 500 products including the Lodrane Extended Release Products. After this announcement by the FDA, the Company’s customer for the Lodrane Products cancelled all outstanding orders and manufacturing of the Lodrane Products has ceased. This cancellation of outstanding orders and the cessation of manufacturing of Lodrane Products has had a material adverse effect on revenues for periods beginning subsequent to March 31, 2011.

Lodrane D® which is an immediate release product that is different from the Lodrane Products that were included in the list of products removed from the market by the FDA, is marketed under the Over-the-Counter Monograph (the “OTC Monograph”) and accordingly, under the Code of Federal Regulations can be lawfully marketed in the U.S. without prior approval. Under the Federal Food Drug and Cosmetic Act (“FDCA”), FDA regulations and statements of FDA policy, certain drug products are permitted to be marketed in the U.S. without prior approval. Within the past few years, the FDA has revised its enforcement policies, significantly limiting the circumstances under which these unapproved products may be marketed. If the FDA determines that a company is distributing an unapproved product that requires approval, the FDA may take enforcement action in a variety of ways, including, without limitation, product seizures and seeking a judicial injunction against distribution.

**NDA's and NDAs under Section 505(b) of the Drug Price Competition Act**

The FDA approval procedure for an NDA is generally a two-step process. During the Initial Product Development stage, an investigational new drug application ("IND") for each product is filed with the FDA. A 30-day waiting period after the filing of each IND is required by the FDA prior to the commencement of initial clinical testing. If the FDA does not comment on or question the IND within such 30-day period, initial clinical studies may begin. If, however, the FDA has comments or questions, they must be answered to the satisfaction of the FDA before initial clinical testing may begin. In some instances this process could result in substantial delay and expense. Initial clinical studies generally constitute Phase I of the NDA process and are conducted to demonstrate the product tolerance/safety and pharmacokinetic in healthy subjects.

After Phase I testing, extensive efficacy and safety studies in patients must be conducted. After completion of the required clinical testing, an NDA is filed, and its approval, which is required for marketing in the United States, involves an extensive review process by the FDA. The NDA itself is a complicated and detailed application and must include the results of extensive clinical and other testing, the cost of which is substantial. However, the NDA filings contemplated by us, which are already marketed drugs, would be made under Sections 505 (b)(1) or 505 (b)(2) of the Drug Price Competition Act, which do not require certain studies that would otherwise be necessary; accordingly, the development timetable should be shorter. While the FDA is required to review applications within a certain timeframe, during the review process, the FDA frequently requests that additional information be submitted. The effect of such request and subsequent submission can significantly extend the time for the NDA review process. Until an NDA is actually approved, there can be no assurance that the information requested and submitted will be considered adequate by the FDA to justify approval. The packaging and labeling of our developed products are also subject to FDA regulation. It is impossible to anticipate the amount of time that will be needed to obtain FDA approval to market any product.

Whether or not FDA approval has been obtained, approval of the product by comparable regulatory authorities in any foreign country must be obtained prior to the commencement of marketing of the product in that country. We intend to conduct all marketing in territories other than the United States through other pharmaceutical companies based in those countries. The approval procedure varies from country to country, can involve additional testing, and the time required may differ from that required for FDA approval. Although there are some procedures for unified filings for certain European countries, in general each country has its own procedures and requirements, many of which are time consuming and expensive. Thus, there can be substantial delays in obtaining required approvals from both the FDA and foreign regulatory authorities after the relevant applications are filed. After such approvals are obtained, further delays may be encountered before the products become commercially available.

## **ANDAs**

The FDA approval procedure for an ANDA differs from the procedure for a NDA in that the FDA waives the requirement of conducting complete clinical studies, although it normally requires bioavailability and/or bioequivalence studies. “Bioavailability” indicates the rate and extent of absorption and levels of concentration of a drug product in the blood stream needed to produce a therapeutic effect. “Bioequivalence” compares the bioavailability of one drug product with another, and when established, indicates that the rate of absorption and levels of concentration of the active drug substance in the body are equivalent for the generic drug and the previously approved drug. An ANDA may be submitted for a drug on the basis that it is the equivalent of a previously approved drug or, in the case of a new dosage form, is suitable for use for the indications specified.

The timing of final FDA approval of an ANDA depends on a variety of factors, including whether the applicant challenges any listed patents for the drug and whether the brand-name manufacturer is entitled to one or more statutory exclusivity periods, during which the FDA may be prohibited from accepting applications for, or approving, generic products. In certain circumstances, a regulatory exclusivity period can extend beyond the life of a patent, and

thus block ANDAs from being approved on the patent expiration date.

In May 1992, Congress enacted the Generic Drug Enforcement Act of 1992, which allows the FDA to impose debarment and other penalties on individuals and companies that commit certain illegal acts relating to the generic drug approval process. In some situations, the Generic Drug Enforcement Act requires the FDA to not accept or review ANDAs for a period of time from a company or an individual that has committed certain violations. It also provides for temporary denial of approval of applications during the investigation of certain violations that could lead to debarment and also, in more limited circumstances, provides for the suspension of the marketing of approved drugs by the affected company. Lastly, the Generic Drug Enforcement Act allows for civil penalties and withdrawal of previously approved applications. Neither we nor any of our employees have ever been subject to debarment. We do not believe that we receive any services from any debarred person.

### **Controlled Substances**

We are also subject to federal, state, and local laws of general applicability, such as laws relating to working conditions. We are also licensed by, registered with, and subject to periodic inspection and regulation by the Drug Enforcement Agency (“DEA”) and New Jersey state agencies, pursuant to federal and state legislation relating to drugs and narcotics. Certain drugs that we currently develop or may develop in the future may be subject to regulations under the Controlled Substances Act and related statutes. As we manufacture such products, we may become subject to the Prescription Drug Marketing Act, which regulates wholesale distributors of prescription drugs.

### **cGMP**

All facilities and manufacturing techniques used for the manufacture of products for clinical use or for sale must be operated in conformity with cGMP regulations issued by the FDA. We engage in manufacturing on a commercial basis for distribution of products, and operate our facilities in accordance with cGMP regulations. If we hire another company to perform contract manufacturing for us, we must ensure that our contractor’s facilities conform to cGMP regulations.

### **Compliance with Environmental Laws**

We are subject to comprehensive federal, state and local environmental laws and regulations that govern, among other things, air polluting emissions, waste water discharges, solid and hazardous waste disposal, and the remediation of contamination associated with current or past generation handling and disposal activities, including the past practices of corporations as to which we are the legal successor or in possession. We do not expect that compliance with such environmental laws will have a material effect on our capital expenditures, earnings or competitive position in the foreseeable future. There can be no assurance, however, that future changes in environmental laws or regulations, administrative actions or enforcement actions, or remediation obligations arising under environmental laws will not

have a material adverse effect on our capital expenditures, earnings or competitive position.

## **Competition**

We have competition with respect to our two principal areas of operation. We develop and manufacture generic products and products using controlled-release drug technology , and we develop and market (either on our own or by license to other companies) generic and proprietary controlled-release pharmaceutical products. In both areas, our competition consists of those companies which develop controlled-release drugs and alternative drug delivery systems. We do not represent a significant presence in the pharmaceutical industry.

An increasing number of pharmaceutical companies have become interested in the development and commercialization of products incorporating advanced or novel drug delivery systems. Some of the major pharmaceutical companies have invested and are continuing to invest significant resources in the development of their own drug delivery systems and technologies and some have invested funds in such specialized drug delivery companies. Many of these companies have greater financial and other resources as well as more experience than we do in commercializing pharmaceutical products. Certain companies have a track record of success in developing controlled-release drugs. Significant among these are Pfizer, Sandoz (a Novartis company), Durect Corporation, Mylan Laboratories, Inc., Par Pharmaceuticals, Inc., Alkermes, Inc., Teva Pharmaceuticals Industries Ltd., Impax Laboratories, Inc., and Actavis. Each of these companies has developed expertise in certain types of drug delivery systems, although such expertise does not carry over to developing a controlled-release version of all drugs. Such companies may develop new drug formulations and products or may improve existing drug formulations and products more efficiently than we can. In addition, almost all of our competitors have vastly greater resources than we do. While our product development capabilities and, if obtained, patent protection may help us to maintain our market position in the field of advanced drug delivery, there can be no assurance that others will not be able to develop such capabilities or alternative technologies outside the scope of our patents, if any, or that even if patent protection is obtained, such patents will not be successfully challenged in the future.

In addition to competitors that are developing products based on drug delivery technologies, there are also companies that have announced that they are developing opioid abuse-deterrent products that might compete directly or indirectly with Elite's products. These include, but are not limited to Pfizer Inc., Pain Therapeutics (which has an agreement with Durect Corporation and Pfizer Inc.), Collegium Pharmaceuticals, Inc., Purdue Pharma LP, and Acura Pharmaceuticals, Inc.

We also face competition in the generic pharmaceutical market. The principal competitive factors in the generic pharmaceutical market include: (i) introduction of other generic drug manufacturers' products in direct competition with our products under development, (ii) introduction of authorized generic products in direct competition with any of our products under development, particularly if such products are approved and sold during exclusivity periods, (iii) consolidation among distribution outlets through mergers and acquisitions and the formation of buying groups, (iv) ability of generic competitors to quickly enter the market after the expiration of patents or exclusivity periods, diminishing the amount and duration of significant profits, (v) the willingness of generic drug customers, including wholesale and retail customers, to switch among pharmaceutical manufacturers, (vi) pricing pressures and product deletions by competitors, (vii) a company's reputation as a manufacturer and distributor of quality products, (viii) a company's level of service (including maintaining sufficient inventory levels for timely deliveries), (ix) product appearance and labeling and (x) a company's breadth of product offerings.

#### **Sources and Availability of Raw Materials; Manufacturing**

A significant portion of our raw materials may be available only from foreign sources. Foreign sources can be subject to the special risks of doing business abroad, including:



- greater possibility for disruption due to transportation or communication problems;
- the relative instability of some foreign governments and economies;
- interim price volatility based on labor unrest, materials or equipment shortages, export duties, restrictions on the transfer of funds, or fluctuations in currency exchange rates; and
- uncertainty regarding recourse to a dependable legal system for the enforcement of contracts and other rights.

Please see the Risk Factor in Part I, Item 1A entitled “We are dependent on a small number of suppliers for our raw materials and any delay or unavailability of raw materials can materially adversely affect our ability to produce products”.

While we currently obtain the raw materials that we need from over 20 suppliers, some materials used in our products are currently available from only one supplier or a limited number of suppliers. The FDA requires identification of raw material suppliers in applications for approval of drug products. If raw materials were unavailable from a specified supplier, FDA approval of a new supplier could delay the manufacture of the drug involved.

In this regard, the commercial launch of Phentermine 15mg and Phentermine 30mg was delayed due to the sole supplier of the API approved for these products restricting the amount of such API available to Elite. The API supplier required us to pay substantially higher prices than previously paid for the Phentermine API while we sought approval from the FDA of an alternate supplier of the API. Such approval was recently received, resulting in lower prices and a sufficient supply of materials. Please see “Approved Products; Phentermine 15mg and Phentermine 30mg “ above.

We have acquired pharmaceutical manufacturing equipment for manufacturing our products. We have registered our facilities with the FDA and the DEA.

### **Dependence on One or a Few Major Customers**

Each year we have had one or a few customers that have accounted for a large percentage of our limited revenues therefore the termination of a contract with a customer may result in the loss of substantially all of our revenues. We are constantly working to develop new relationships with existing or new customers, but despite these efforts we may not, at the time that any of our current contracts expire, have other contracts in place generating similar or material revenue. We have agreements with Epic, ECR, Precision Dose and TPN for the sales and distribution of products that we manufacture. We receive revenues to manufacture these products and also receive a profit split or royalties based on in-market sales of the products.

In April 2011, we ceased production of the Lodrane Extended Release Products, which are the subject of the agreements with ECR, pursuant to the FDA’s announcement of its intention to remove approximately 500 cough/cold and allergy related products from the US market, including the Lodrane Extended Release Products. While the announcement by the FDA had a minimal effect on the Company’s results for Fiscal 2011, the Lodrane Extended Release Products for which production has ceased were responsible for 97% of the Company’s revenues. The announcement by the FDA accordingly has a material adverse effect on the Company’s revenues for periods beginning after March 31, 2011.

## **Employees**

As of June 30, 2014, we had 38 full time employees. Full-time employees are engaged in operations, administration, research and development. None of our employees is represented by a labor union and we have never experienced a work stoppage. We believe our relationship with our employees to be good. However, our ability to achieve our financial and operational objectives depends in large part upon our continuing ability to attract, integrate, retain and motivate highly qualified personnel, and upon the continued service of our senior management and key personnel.

## ITEM 1A            RISK FACTORS

An investment in the Company's Common Stock involves a high degree of risk. You should carefully consider the risks described below as well as other information provided to you in this report, including information in the section of this document entitled "Forward Looking Statements." The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our Common Stock could decline, and you may lose all or part of your investment.

In addition to the other information contained in this report, the following risk factors should be considered carefully in evaluating an investment in us and in analyzing our forward-looking statements.

### RISKS RELATED TO OUR BUSINESS

*We have a relatively limited operating history, which makes it difficult to evaluate our future prospects.*

Although we have been in operation since 1990, we have a relatively short operating history and limited financial data upon which you may evaluate our business and prospects. In addition, our business model is likely to continue to evolve as we attempt to expand our product offerings and our presence in the generic pharmaceutical market. As a result, our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies that are attempting to move into new markets and continuing to innovate with new and unproven technologies. Some of these risks relate to our potential inability to:

- develop new products;
- obtain regulatory approval of our products;
- manage our growth, control expenditures and align costs with revenues;
- attract, retain and motivate qualified personnel; and respond to competitive developments.

If we do not effectively address the risks we face, our business model may become unworkable and we may not achieve or sustain profitability or successfully develop any products.

*We have not been profitable and expect future losses.*

To date, we have not been profitable and we may never be profitable or, if we become profitable, we may be unable to sustain profitability. We have sustained losses from operations in each year since our incorporation in 1990. During the past two fiscal years, we incurred net losses from operations of \$5,283,624 and \$1,563,133, respectively. We expect to continue to incur losses until we are able to generate sufficient revenues to support our operations and offset operating costs.

***We may require additional financing to meet our business objectives and to continue as a going concern.***

Although we believe that we have adequate financial resources on hand as of March 31, 2014 to complete the clinical trials and file a marketing approval application with the FDA for one abuse resistant opioid product and also ensure operations through March 31, 2015, we cannot assure that we will not need additional funding to accomplish our plans to conduct the clinical development and commercialization of a range of multiple abuse resistant opioids on an accelerated pace.

As of March 31, 2014, we had cash reserves of approximately \$6.9 million and a working capital surplus of \$3.8 million, and, for the fiscal year ended March 31, 2014, we had losses from operations totaling \$5.3 million, net other expenses totaling \$91.6 million and a net loss of \$96.6 million.

During the year ended March 31, 2014, we raised approximately \$10 million from the sale of shares to with Lincoln Park Capital Fund, LLC (“Lincoln Park”) pursuant to a prior April 19, 2013 purchase agreement. While that agreement terminated in March 2014 with the sale of all shares covered by that agreement, we entered into a new purchase agreement (the “Purchase Agreement”) with Lincoln Park in April 2014, pursuant to which we could raise up to \$40 million (see “Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources; Lincoln Park Capital” below). As of June 20, 2014, we have sold approximately 2.4 million shares pursuant to the Purchase Agreement, with proceeds of such sales totaling approximately \$0.9 million. In addition, both Nasrat Hakim, our CEO, and Jerry Treppel, our Chairman, have each provided Elite with a revolving bridge credit line of up to \$1,000,000.

Pursuant to the Purchase Agreement with Lincoln Park, we may direct Lincoln Park to purchase up to \$40,000,000 worth of shares of our common stock under our agreement over a 36 month period generally in amounts up to 500,000 shares on any such business day. However, Lincoln Park shall not be required to purchase more than \$760,000 worth of stock on any business day and cannot purchase any shares of our common stock on any business day that the closing sale price of our common stock is less than \$0.10 per share, subject to adjustment as set forth in the Purchase Agreement. Assuming a purchase price of \$0.425 per share (the closing sale price of the common stock on June 20, 2014) and only 101,735,704 shares available for purchase, we would receive \$40 million in gross proceeds from purchases under the Purchase Agreement by Lincoln Park, inclusive of the \$0.9 million already received for sales of shares prior to June 20, 2014.

The extent we rely on Lincoln Park as a source of funding will depend on a number of factors including, the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. If obtaining sufficient funding from Lincoln Park were to prove unavailable or prohibitively dilutive, we will need to secure another source of funding in order to satisfy our working capital needs. Even if we sell all \$40,000,000 under the Purchase Agreement to Lincoln Park, we may still need additional capital to fully implement our business, operating and development plans.

We are anticipating that, with the growth of the current generic product line consisting of generic phentermine tablets and capsules, hydromorphone, naltrexone, methadone, phendimetrazine and immediate release Lodrane D®, combined with the successful transfer of manufacturing site and commercial launch of the 12 approved generic products licensed to Epic Pharma LLC and other opportunities in our pipeline, Elite eventually could be profitable. However, there can be no assurances that we will be able to timely raise additional funds, if needed, on acceptable terms through the Purchase Agreement or otherwise, that the sales of the current generic product line will continue, that the 12 approved generic products licensed to Epic Pharma LLC will be successfully commercialized and generate future revenues or that the other opportunities in our pipeline will be successfully commercialized. There can also be no assurances of Elite becoming profitable

To sustain operations and meet our business objectives we must be able to commercialize our products and other products or pipeline opportunities. If we are unable to timely obtain additional financing, if necessary, and/or we are unable to timely generate greater revenues from our operations, we will be required to reduce and, possibly, cease operations and liquidate our assets. No assurance can be given that we will be able to commercialize the new opportunities, or consummate such other financing or strategic alternative in the time necessary to avoid the cessation of our operations and liquidation of our assets.

***We are in default on our obligations under the NJEDA Bonds. If we are unable to work out an arrangement to delay payment, repay or otherwise cure or settle this default, our ability to operate in the future will be materially and adversely affected.***

We are in default of our obligations on a loan through tax-exempt bonds from the New Jersey Economic Development Authority (“NJEDA”). Our liability under this obligation as of March 31, 2014 was approximately \$3.4 million. Our real property and the improvements thereon are encumbered by a mortgage in favor of as security for a loan through the NJEDA Bonds. We have received Notices of Default from the Trustee in relation to the utilization of the debt service reserve fund for of semi-annual interest payments from March 2009 to the present and for the non-payment of principal amounts due on September 1, 2010, 2011, 2012 and 2013.

On June 20, 2014, subsequent to the end of Fiscal 2014 and in accordance with the terms and conditions of the bond indenture, the Company provided to the Trustee of the NJEDA Bonds written notice of its intent to redeem those bonds which were due and payable as of the same date.

The bond indenture requires that the Company provide the Trustee with 60 days written notice (or such shorter period agreeable to the Trustee), and that the Trustee would then notify the Depository Trust Company (“DTC”) of the bonds which are to be redeemed. The DTC is then required to provide to the applicable bondholders notice of no less than 30 days nor more than 45 notice of the redemption.

Through the written notification, the Company has advised the Trustee of its ability and intentions to pay all amounts due and owing currently and separately, has advised the Trustee of its ability and intentions to pay the principal and interest payments which are due and payable on September 1, 2014.

The Company is cooperating with the Trustee to redeem all bonds currently due and owing, as well as those due on September 1, 2014, with the objective of curing all monetary defaults and achieving full compliance with the terms and conditions of the bonds as soon as possible.

While the Company has replenished all amounts withdrawn from the debt service reserve fund in accordance with the terms of the bond agreement, is in the process of paying all amounts in arrears and is also able to make the annual principal payment and semi-annual interest payment due on September 1, 2014 without utilizing the debt service reserve fund, there can be no assurances of the Company being able to make future semi-annual interest payments without utilizing the debt service reserve fund, nor can there be assurances of the Company being able to replenish the debt service reserve fund in the future. In addition, there can be no assurances of the Company being able to pay the principal payments which are due in the future



We believe that the successful resolution of the bond defaults will have a significant and positive effect on the Company's ability to operate as a going concern. For more information on the NJEDA Bonds, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources; NJEDA Bonds".

*Elite's pipeline consists of products in various stages of development, including products in early development.*

Elite's product pipeline, including its abuse deterrent opioid products, are in various stages of development. Prior to commercialization, product development must be completed that could include scale-up, clinical studies, regulatory filing, regulatory review, approval by the FDA, and/or other development steps. Additionally, Elite has 12 approved generic products for which a site transfer must be completed prior to product launches. For these generic products, Elite must complete site transfer studies, file a changes being effective in 30 days (CBE 30) and await FDA review and approval. Development is subject to risks. We cannot assure you that development will be successful, or that during development unexpected delays might occur or additional costs might be incurred.

***If we are unable to satisfy regulatory requirements, we may not be able to commercialize our product candidates.***

We need FDA approval prior to marketing our product candidates in the United States of America. If we fail to obtain FDA approval to market our product candidates, we will be unable to sell our product candidates in the United States of America and we will not generate any revenue from the sale of such products.

This regulatory review and approval process, which includes evaluation of preclinical studies and clinical trials of our product candidates, is lengthy, expensive and uncertain. To receive approval, we must, among other things, demonstrate with substantial evidence from well-controlled clinical trials that our product candidates are both safe and effective for each indication where approval is sought. Satisfaction of these requirements typically takes several years and the time needed to satisfy them may vary substantially, based on the type, complexity and novelty of the pharmaceutical product. We cannot predict if or when we might submit for regulatory approval any of our product candidates currently under development. Any approvals we may obtain may not cover all of the clinical indications for which we are seeking approval. Also, an approval might contain significant limitations in the form of narrow indications, warnings, precautions, or contra-indications with respect to conditions of use.

The FDA has substantial discretion in the approval process and may either refuse to accept an application for substantive review or may form the opinion after review of an application that the application is insufficient to allow approval of a product candidate. If the FDA does not accept our application for review or approve our application, it may require that we conduct additional clinical, preclinical or manufacturing validation studies and submit the data before it will reconsider our application. Depending on the extent of these or any other studies that might be required, approval of any applications that we submit may be delayed by several years, or we may be required to expend more resources than we have available. It is also possible that any such additional studies, if performed and completed, may not be considered sufficient by the FDA to make our applications approvable. If any of these outcomes occur, we may be forced to abandon our applications for approval.

We will also be subject to a wide variety of foreign regulations governing the development, manufacture and marketing of our products. Whether or not an FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries must still be obtained prior to manufacturing or marketing the product in those countries. The approval process varies from country to country and the time needed to secure approval may be longer or shorter than that required for FDA approval. We cannot assure you that clinical trials conducted in one country will be accepted by other countries or that approval of our product in one country will result in approval in any other country.

***Before we can obtain regulatory approval, we need to successfully complete clinical trials, outcomes of which are uncertain.***

In order to obtain FDA approval to market a new drug product, we must demonstrate proof of safety and effectiveness in humans. To meet these requirements, we must conduct extensive preclinical testing and “adequate and well-controlled” clinical trials. Conducting clinical trials is a lengthy, time-consuming, and expensive process. Completion of necessary clinical trials may take several years or more. Delays associated with products for which we are directly conducting preclinical or clinical trials may cause us to incur additional operating expenses. The commencement and rate of completion of clinical trials may be delayed by many factors, including, for example:

ineffectiveness of our product candidate or perceptions by physicians that the product candidate is not safe or effective for a particular indication;

- inability to manufacture sufficient quantities of the product candidate for use in clinical trials;
- delay or failure in obtaining approval of our clinical trial protocols from the FDA or institutional review boards;
- slower than expected rate of patient recruitment and enrollment; inability to adequately follow and monitor patients after treatment; difficulty in managing multiple clinical sites;
- unforeseen safety issues;
- government or regulatory delays; and
- clinical trial costs that are greater than we currently anticipate.

Even if we achieve positive interim results in clinical trials, these results do not necessarily predict final results, and positive results in early trials may not be indicative of success in later trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. Negative or inconclusive results or adverse medical events during a clinical trial could cause us to repeat or terminate a clinical trial or require us to conduct additional trials. We do not know whether our existing or any future clinical trials will demonstrate safety and efficacy sufficiently to result in marketable products. Our clinical trials may be suspended at any time for a variety of reasons, including if the FDA or we believe the patients participating in our trials are exposed to unacceptable health risks or if the FDA finds deficiencies in the conduct of these trials.

Failures or perceived failures in our clinical trials will directly delay our product development and regulatory approval process, damage our business prospects, make it difficult for us to establish collaboration and partnership relationships, and negatively affect our reputation and competitive position in the pharmaceutical community.

Because of these risks, our research and development efforts may not result in any commercially viable products. Any delay in, or termination of, our preclinical or clinical trials will delay the filing of our drug applications with the FDA and, ultimately, our ability to commercialize our product candidates and generate product revenues. If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved products are not commercially successful, our business, financial condition, and results of operations may be materially harmed.

***If our collaboration or licensing arrangements are unsuccessful, our revenues and product development may be limited.***

We have entered into several collaborations and licensing arrangements for the development of products. However, there can be no assurance that any of these agreements will result in FDA approvals, or that we will be able to market any such finished products at a profit. Collaboration and licensing arrangements pose the following risks:



· collaborations and licensing arrangements may be terminated, in which case we will experience increased operating expenses and capital requirements if we elect to pursue further development of the related product candidate;

· collaborators and licensees may delay clinical trials and prolong clinical development, under-fund a clinical trial program, stop a clinical trial or abandon a product candidate;

· expected revenue might not be generated because milestones may not be achieved and product candidates may not be developed;

· collaborators and licensees could independently develop, or develop with third parties, products that could compete with our future products;

· the terms of our contracts with current or future collaborators and licensees may not be favorable to us in the future;

· a collaborator or licensee with marketing and distribution rights to one or more of our products may not commit enough resources to the marketing and distribution of our products, limiting our potential revenues from the commercialization of a product;

· disputes may arise delaying or terminating the research, development or commercialization of our product candidates, or result in significant and costly litigation or arbitration; and

· one or more third-party developers could obtain approval for a similar product prior to the collaborator or licensee resulting in unforeseen price competition in connection with the development product.

***We have been dependent on one or a few major customers. If we are unable to develop more customers our business most likely will be adversely affected***

Each year we have had one or a few customers that have accounted for a large percentage of our limited revenues therefore the termination of a contract with a customer may result in the loss of substantially all of our revenues. We are constantly working to develop new relationships with existing or new customers, but despite these efforts we may not, at the time that any of our current contracts expire, have other contracts in place generating similar or material revenue. We have agreements with ECR and Precision Dose for the sales and distribution of products that we manufacture. We receive revenues to manufacture these products and also receive a profit split or royalties based on in-market sales of the products.

In April 2011, we ceased production of the Lodrane Extended Release Products, which are the subject of the agreements with ECR, pursuant to the FDA's announcement of its intention to remove approximately 500 cough/cold and allergy related products from the US market, including the Lodrane Extended Release Products. After this announcement by the FDA, the Company's customer for the Lodrane Extended Release Products cancelled all outstanding orders and manufacturing of the Lodrane Extended Release Products has ceased. The Lodrane Extended Release Products for which production has ceased were responsible for 97% of the Company's revenues during the fiscal year ended March 31, 2011. The cessation of production of the Lodrane Extended Release Products has had a material adverse effect on Elite's revenues for all periods beginning after March 31, 2011.

***If we are unable to protect our intellectual property rights or avoid claims that we infringed on the intellectual property rights of others, our ability to conduct business may be impaired.***

Our success depends on our ability to protect our current and future products and to defend our intellectual property rights. If we fail to protect our intellectual property adequately, competitors may manufacture and market products similar to ours.

We currently hold eight patents and we have five patents pending. We intend to file further patent applications in the future. We cannot be certain that our pending patent applications will result in the issuance of patents. If patents are issued, third parties may sue us to challenge our patent protection, and although we know of no reason why they should prevail, it is possible that they could. It is likewise possible that our patent rights may not prevent or limit our present and future competitors from developing, using or commercializing products that are similar or functionally equivalent to our products.

In addition, we may be required to obtain licenses to patents, or other proprietary rights of third parties, in connection with the development and use of our products and technologies as they relate to other persons' technologies. At such time as we discover a need to obtain any such license, we will need to establish whether we will be able to obtain such a license on favorable terms, if at all. The failure to obtain the necessary licenses or other rights could preclude the sale, manufacture or distribution of our products.

We rely particularly on trade secrets, unpatented proprietary expertise and continuing innovation that we seek to protect, in part, by entering into confidentiality agreements with licensees, suppliers, employees and consultants. We cannot provide assurance that these agreements will not be breached or circumvented. We also cannot be certain that there will be adequate remedies in the event of a breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. We cannot be sure that our trade secrets and proprietary technology will not otherwise become or be obtained by other entities or become known, obtained or independently developed by our competitors or, if patents are not issued with respect to products arising from research, that we will be able to maintain the confidentiality of information relating to these products. In addition, efforts to ensure our intellectual property rights can be costly, time-consuming and/or ultimately unsuccessful.

***Litigation is common in the pharmaceutical industry, and can be protracted and expensive and could delay and/or prevent entry of our products into the market, which, in turn, could have a material adverse effect on our business.***

Litigation concerning patents and proprietary rights can be protracted and expensive. Companies routinely bring litigation against applicants and allege patent infringement or other violations of intellectual property rights as the basis for filing suit against an applicant. Elite develops, owns and/or manufactures generic and branded



pharmaceutical products and such drug products may be subject to such litigation. Litigation often involves significant expense and can delay or prevent introduction or sale of our products.

There may also be situations where we use our business judgment and decide to market and sell products, notwithstanding the fact that allegations of patent infringement(s) have not been finally resolved by the courts. The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement include, among other things, damages measured by the profits lost by the patent owner and not by the profits earned by the infringer. In the case of a willful infringement, the definition of which is subjective, such damages may be trebled. Moreover, because of the discount pricing typically involved with bioequivalent products, patented brand products generally realize a substantially higher profit margin than bioequivalent products. An adverse decision in a case such as this or in other similar litigation could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our Common Stock to decline.

Please note that in May 2014, Precision Dose Inc, the parent company of TAGI Pharmaceuticals, Inc., commenced an arbitration alleging that we failed to properly supply, price and satisfy gross profit minimums regarding Phentermine 37.5mg tablets, as required by the parties' agreements. We deny Precision Dose's allegations and have counterclaimed that Precision Dose is no longer entitled to exclusivity rights with respect to Phentermine 37.5mg tablets, and is responsible for certain costs, expenses, price increases and lost profits relating to Phentermine 37.5mg tablets and the parties' agreements. Please see "Item 3. Legal Proceedings" below.

***The pharmaceutical industry is highly competitive and subject to rapid and significant technological change, which could impair our ability to implement our business model.***

The pharmaceutical industry is highly competitive, and we may be unable to compete effectively. In addition, the pharmaceutical industry is undergoing rapid and significant technological change, and we expect competition to intensify as technical advances in each field are made and become more widely known. An increasing number of pharmaceutical companies have been or are becoming interested in the development and commercialization of products incorporating advanced or novel drug delivery systems. We expect that competition in the field of drug delivery will increase in the future as other specialized research and development companies begin to concentrate on this aspect of the business. Some of the major pharmaceutical companies have invested and are continuing to invest significant resources in the development of their own drug delivery systems and technologies and some have invested funds in specialized drug delivery companies. Many of our competitors have longer operating histories and greater financial, research and development, marketing and other resources than we do. Such companies may develop new formulations and products, or may improve existing ones, more efficiently than we can. Our success, if any, will depend in part on our ability to keep pace with the changing technology in the fields in which we operate.

As we expand our presence in the generic pharmaceuticals market our product candidates may face intense competition from brand-name companies that have taken aggressive steps to thwart competition from generic companies. In particular, brand-name companies continue to sell or license their products directly or through licensing arrangements or strategic alliances with generic pharmaceutical companies (so-called "authorized generics"). No significant regulatory approvals are required for a brand-name company to sell directly or through a third party to the generic market, and brand-name companies do not face any other significant barriers to entry into such market. In addition, such companies continually seek to delay generic introductions and to decrease the impact of generic competition, using tactics which include:

- obtaining new patents on drugs whose original patent protection is about to expire;
- filing patent applications that are more complex and costly to challenge;
- filing suits for patent infringement that automatically delay approval from the FDA;
- filing citizens' petitions with the FDA contesting approval of the generic versions of products due to alleged health and safety issues; developing controlled-release or other "next-generation" products, which often reduce demand for the generic version of the existing product for which we may be seeking approval;
- changing product claims and product labeling;



- developing and marketing as over-the-counter products those branded products which are about to face generic competition; and
- making arrangements with managed care companies and insurers to reduce the economic incentives to purchase generic pharmaceuticals.

These strategies may increase the costs and risks associated with our efforts to introduce our generic products under development and may delay or prevent such introduction altogether.

***If our product candidates do not achieve market acceptance among physicians, patients, health care payors and the medical community, they will not be commercially successful and our business will be adversely affected.***

The degree of market acceptance of any of our approved product candidates among physicians, patients, health care payors and the medical community will depend on a number of factors, including:

- acceptable evidence of safety and efficacy;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- availability of alternative treatments;
- pricing and cost effectiveness;
- effectiveness of sales and marketing strategies; and
- ability to obtain sufficient third-party coverage or reimbursement.

If we are unable to achieve market acceptance for our product candidates, then such product candidates will not be commercially successful and our business will be adversely affected.

***We are dependent on a small number of suppliers for our raw materials and any delay or unavailability of raw materials can materially adversely affect our ability to produce products.***

The FDA requires identification of raw material suppliers in applications for approval of drug products. If raw materials were unavailable from a specified supplier, FDA approval of a new supplier could delay the manufacture of the drug involved.

In addition, some materials used in our products are currently available from only one supplier or a limited number of suppliers and there is a risk of a sole approved supplier significantly raising prices. Please note that such an

occurrence has taken place recently, wherein significant price increases from a sole supplier greatly reduced profit margins, sales and delayed product launches. These occurrences were ultimately resolved by the successful FDA approval of an alternate supplier, with such approval process being lengthy and costly.

Further, a significant portion of our raw materials may be available only from foreign sources. Foreign sources can be subject to the special risks of doing business abroad, including, without limitation:

- greater possibility for disruption due to transportation or communication problems;
- the relative instability of some foreign governments and economies;
- interim price volatility based on labor unrest, materials or equipment shortages, export duties, restrictions on the transfer of funds, or fluctuations in currency exchange rates; and
- uncertainty regarding recourse to a dependable legal system for the enforcement of contracts and other rights.

In addition, patent laws in certain foreign jurisdictions (primarily in Europe) may make it increasingly difficult to obtain raw materials for research and development prior to expiration of applicable United States or foreign patents. Any delay or inability to obtain raw materials on a timely basis, or any significant price increases that cannot be passed on to customers, can materially adversely affect our ability to produce products. This can materially adversely affect our business and operations.

***Even after regulatory approval, we will be subject to ongoing significant regulatory obligations and oversight as evidenced by the FDA's removal from the market of our Lodrane® extended release product line. In addition, although Lodrane D® is marketed under the Over-the-Counter Monograph and, accordingly, can be lawfully marketed in the US without prior regulatory approval, the FDA has revised its enforcement policies during the past few years, significantly limiting the circumstances under which unapproved products may be marketed.***

Even if regulatory approval is obtained for a particular product candidate, the FDA and foreign regulatory authorities may, nevertheless, impose significant restrictions on the indicated uses or marketing of such products, or impose ongoing requirements for post-approval studies. Following any regulatory approval of our product candidates, we will be subject to continuing regulatory obligations, such as safety reporting requirements, and additional post-marketing obligations, including regulatory oversight of the promotion and marketing of our products. If we become aware of previously unknown problems with any of our product candidates here or overseas or at our contract manufacturers' facilities, a regulatory agency may impose restrictions on our products, our contract manufacturers or on us, including requiring us to reformulate our products, conduct additional clinical trials, make changes in the labeling of our products, implement changes to or obtain re-approvals of our contract manufacturers' facilities or withdraw the product from the market. In addition, we may experience a significant drop in the sales of the affected products, our reputation in the marketplace may suffer and we may become the target of lawsuits, including class action suits. Moreover, if we fail to comply with applicable regulatory requirements, we may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution. Any of these events could harm or prevent sales of the affected products or could substantially increase the costs and expenses of commercializing and marketing these products.

On March 4, 2011, the FDA issued a directive removing from the market approximately 500 cough/cold and allergy products, including our Lodrane® extended release product line. The Lodrane® extended release products constituted approximately 97% of our revenues at the time of FDA's directive.

Lodrane D® is marketed under the Over-the-Counter Monograph (the "OTC Monograph") and accordingly, under the Code of Federal Regulations can be lawfully marketed in the US without prior approval. Under the Federal Food Drug and Cosmetic Act ("FDCA"), FDA regulations and statements of FDA policy, certain drug products are permitted to be marketed in the U.S. without prior approval. Within the past few years, the FDA has revised its enforcement policies, significantly limiting the circumstances under which these unapproved products may be marketed. If the FDA determines that a company is distributing an unapproved product that requires approval, the FDA may take enforcement action in a variety of ways, including, without limitation, product seizures and seeking a judicial injunction against distribution.



***If key personnel were to leave us or if we are unsuccessful in attracting qualified personnel, our ability to develop products could be materially harmed.***

Our success depends in large part on our ability to attract and retain highly qualified scientific, technical and business personnel experienced in the development, manufacture and marketing of oral, controlled-release drug delivery systems and generic products. Our business and financial results could be materially harmed by the inability to attract or retain qualified personnel.

***If we were sued on a product liability claim, an award could exceed our insurance coverage and cost us significantly.***

The design, development and manufacture of our products involve an inherent risk of product liability claims. We have procured product liability insurance; however, a successful claim against us in excess of the policy limits could be very expensive to us, damaging our financial position. The amount of our insurance coverage, which has been limited due to our limited financial resources, may be materially below the coverage maintained by many of the other companies engaged in similar activities. To the best of our knowledge, no product liability claim has been made against us as of the date hereof.

## **RISKS RELATED TO OUR COMMON STOCK**

**Our stock price has been volatile and may fluctuate in the future.**

The market price for the publicly traded stock of pharmaceutical companies is generally characterized by high volatility. There has been significant volatility in the market prices for our Common Stock. For the twelve months ended March 31, 2014, the closing sale price on the OTC Bulletin Board (“OTC-BB”) of our Common Stock fluctuated from a high of \$0.94 per share to a low of \$0.07 per share. The price per share of our Common Stock may not exceed or even remain at current levels in the future. The market price of our Common Stock may be affected by a number of factors, including, without limitation:

- Results of our clinical trials;
- Approval or disapproval of our ANDAs or NDAs;
- Announcements of innovations, new products or new patents by us or by our competitors;
- Governmental regulation;



- Patent or proprietary rights developments;
- Proxy contests or litigation;
- News regarding the efficacy of, safety of or demand for drugs or drug technologies;
- Economic and market conditions, generally and related to the pharmaceutical industry;
- Healthcare legislation;
- Changes in third-party reimbursement policies for drugs; and
- Fluctuations in our operating results.

***The sale or issuance of our common stock to Lincoln Park or upon conversion of outstanding preferred stock or exercise of outstanding warrants may cause dilution and the sale of the shares of common stock acquired by Lincoln Park or the issuance of shares upon conversion or exercise of outstanding preferred stock and warrants, or the perception that such sales and issuances may occur, could cause the price of our common stock to fall.***

On April 10, 2014, we entered into the Purchase Agreement with Lincoln Park, pursuant to which Lincoln Park has committed to purchase up to \$40,000,000 of our common stock. Concurrently with the execution of the Purchase Agreement, we issued 1,928,641 shares of our common stock to Lincoln Park as a fee for its commitment to purchase shares of our common stock under the Purchase Agreement. The purchase shares that may be sold pursuant to the Purchase Agreement may be sold by us to Lincoln Park at our discretion from time to time over a 36-month period that commenced on May 1, 2014. The purchase price for the shares that we may sell to Lincoln Park under the Purchase Agreement will fluctuate based on the price of our common stock. Depending on market liquidity at the time, sales of such shares may cause the trading price of our common stock to fall.

We generally have the right to control the timing and amount of any sales of our shares to Lincoln Park, except that, pursuant to the terms of our agreements with Lincoln Park, we would be unable to sell shares to Lincoln Park if and when the closing sale price of our common stock is below \$0.10 per share, subject to adjustment as set forth in the Purchase Agreement, and in no event would Lincoln Park purchase more than \$760,000 worth of our common stock on any single business day, plus an additional “accelerated amount” under certain circumstances. Additional sales of our common stock, if any, to Lincoln Park will depend upon market conditions and other factors to be determined by us. Lincoln Park may ultimately purchase all, some or none of the shares of our common stock that may be sold pursuant to the Purchase Agreement and, after it has acquired shares, Lincoln Park may sell all, some or none of those shares.

In addition, as of June 20, 2014, there were outstanding shares of preferred stock convertible into approximately 148.9 million shares of Common Stock and warrants to purchase an aggregate of approximately 99.1 million shares of Common Stock at exercise prices that range from \$0.625 per share to \$0.25 per share. Additional shares of Common Stock may be issuable as a result of anti-dilution provisions in the outstanding preferred stock and warrants

As a result of the above discussed potential issuance of securities, such issuances by us could result in substantial dilution to the interests of other holders of our common stock. Additionally, the sale of a substantial number of shares of our common stock to Lincoln Park or pursuant to the conversion or exercise of outstanding shares of preferred stock and warrants, or the anticipation of such issuances, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

***Raising of additional funding through sales of our securities could cause existing holders of our Common Stock to experience substantial dilution.***

Any additional financing that involves the further sale of our securities could cause existing holders of our Common Stock to experience substantial dilution. On the other hand, if we incurred debt, we would be subject to risks associated with indebtedness, including the risk that interest rates might fluctuate and cash flow would be insufficient to pay principal and interest on such indebtedness.

***The issuance of additional shares of our Common Stock or our preferred stock could make a change of control more difficult to achieve.***

The issuance of additional shares of our Common Stock or the issuance of shares of an additional series of preferred stock could be used to make a change of control of us more difficult and expensive. Under certain circumstances, such shares could be used to create impediments to, or frustrate persons seeking to cause, a takeover or to gain control of us. Such shares could be sold to purchasers who might side with our Board of Directors in opposing a takeover bid that the Board of Directors determines not to be in the best interests of our shareholders. It might also have the effect

of discouraging an attempt by another person or entity through the acquisition of a substantial number of shares of our Common Stock to acquire control of us with a view to consummating a merger, sale of all or part of our assets, or a similar transaction, since the issuance of new shares could be used to dilute the stock ownership of such person or entity.

***Provisions of our Articles of Incorporation and By-Laws could defer a change of our Management which could discourage or delay offers to acquire us.***

Provisions of our Articles of Incorporation and By-Laws law may make it more difficult for someone to acquire control of us or for our shareholders to remove existing management, and might discourage a third party from offering to acquire us, even if a change in control or in Management would be beneficial to our shareholders. For example, as discussed above, our Articles of Incorporation allows us to issue shares of preferred stock without any vote or further action by our shareholders. Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board of Directors also has the authority to issue preferred stock without further shareholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In this regard, on November 15, 2013, we entered into a Shareholder Rights Plan and, under the Rights Plan, our Board of Directors declared a dividend distribution of one Right for each outstanding share of our common stock and one right for each share of Common Stock into which any of our outstanding Preferred Stock is convertible, to shareholders of record at the close of business on that date. Each Right entitles the registered holder to purchase from us one “Unit” consisting of one one-millionth (1/1,000,000) of a share of Series H Junior Participating preferred stock, at a purchase price of \$2.10 per Unit, subject to adjustment, and may be redeemed prior to November 15, 2023, the expiration date, at \$0.000001 per Right, unless earlier redeemed by the Company. The Rights generally are not transferable apart from the common stock and will not be exercisable unless and until a person or group acquires or commences a tender or exchange offer to acquire, beneficial ownership of 15% or more of our common stock. However, for Mr. Hakim, our Chief Executive Officer, the Rights Plan’s the 15% threshold excludes shares beneficially owned by him as of November 15, 2013 and all shares issuable to him pursuant to his employment agreement and the Mikah Note. Our By-Laws provide for the classification of our Board of Directors into three classes.

***Our Common Stock is considered a “penny stock”. The application of the “penny stock” rules to our Common Stock could limit the trading and liquidity of our Common Stock, adversely affect the market price of our Common Stock and increase the transaction costs to sell shares of our Common Stock.***

Our common stock is a “low-priced” security or “penny stock” under rules promulgated under the Securities Exchange Act of 1934, as amended. In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document which describes the risks associated with such stocks, the broker-dealers duties in selling the stock, the customer’s rights and remedies and certain market and other information. Furthermore, the broker-dealer must make a suitability determination approving the customer for low- priced stock transactions based on the customer’s financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will likely decrease the willingness of broker-dealers to make a market in our Common Stock, will decrease liquidity of our Common Stock and will increase transaction costs for sales and purchases of our Common Stock as compared to other securities.



***Our Common Stock is quoted on the Over-the-Counter Bulletin Board. The Over-the-Counter Bulletin Board is a quotation system, not an issuer listing service, market or exchange, therefore, buying and selling stock on the Over-the-Counter Bulletin Board is not as efficient as buying and selling stock through an exchange. As a result, it may be difficult to sell our Common Stock for an optimum trading price or at all.***

The Over-the-Counter Bulletin Board (the “OTCBB”) is a regulated quotation service that displays real-time quotes, last sale prices and volume limitations in over-the-counter securities. Because trades and quotations on the OTCBB involve a manual process, the market information for such securities cannot be guaranteed. In addition, quote information, or even firm quotes, may not be available. The manual execution process may delay order processing and intervening price fluctuations may result in the failure of a limit order to execute or the execution of a market order at a significantly different price. Execution of trades, execution reporting and the delivery of legal trade confirmations may be delayed significantly. Consequently, one may not be able to sell shares of our Common Stock at the optimum trading prices.

When fewer shares of a security are being traded on the OTCBB, volatility of prices may increase and price movement may outpace the ability to deliver accurate quote information. Lower trading volumes in a security may result in a lower likelihood of an individual’s orders being executed, and current prices may differ significantly from the price one was quoted by the OTCBB at the time of the order entry. Orders for OTCBB securities may be canceled or edited like orders for other securities. All requests to change or cancel an order must be submitted to, received and processed by the OTCBB. Due to the manual order processing involved in handling OTCBB trades, order processing and reporting may be delayed, and an individual may not be able to cancel or edit his order. Consequently, one may not be able to sell shares of Common Stock at the optimum trading prices.

The dealer’s spread (the difference between the bid and ask prices) may be large and may result in substantial losses to the seller of securities on the OTCBB if the Common Stock or other security must be sold immediately. Further, purchasers of securities may incur an immediate “paper” loss due to the price spread. Moreover, dealers trading on the OTCBB may not have a bid price for securities bought and sold through the OTCBB. Due to the foregoing, demand for securities that are traded through the OTCBB may be decreased or eliminated.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.

**ITEM 2. PROPERTIES.**

We own a facility located at 165 Ludlow Avenue, Northvale, New Jersey (“165 Ludlow”) which contains approximately 15,000 square feet of floor space. This real property and the improvements thereon are encumbered by a mortgage in favor of the New Jersey Economic Development Authority (“NJEDA”) as security for a loan through tax-exempt bonds from the NJEDA to Elite. The mortgage contains certain customary provisions including, without limitation, the right of NJEDA to foreclose upon a default by Elite. The NJEDA has declared the payment of this bond to be in default (For more information on the NJEDA Bonds, see Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources; NJEDA Bonds”) We are currently using the Facility as a laboratory, manufacturing, storage and office space.

We entered into a lease for a portion of a one-story warehouse, located at 135 Ludlow Avenue, Northvale, New Jersey (“135 Ludlow”), consisting of approximately 15,000 square feet of floor space. The lease term began on July 1, 2010. The lease includes an initial term of 5 years and 6 months and we have the option to renew the lease for two additional terms, each of 5 years. The property related to this lease will be used for the storage of pharmaceutical finished goods, raw materials, equipment and documents as well as engaging in manufacturing, packaging and distribution activities. This property requires significant construction and qualification as a prerequisite to achieving suitability for such intended future use. Approximately 3,500 square feet of this property was constructed and qualified as suitable for use for storage of pharmaceutical finished goods, raw materials, equipment and documents and was placed into service on or before the expiration of the lease for the warehouse at 80 Oak Street, as noted below. Construction and qualification as suitable for manufacturing, packaging and distribution operations are expected to be achieved within two years from the beginning of the lease term. These are estimates based on current project plans, which are subject to change. There can be no assurance that the construction and qualification will be accomplished during the estimated time frames, or that the property located at 135 Ludlow Avenue, Northvale, New Jersey will ever achieve qualification for intended future utilization.

165 Ludlow and 135 Ludlow are hereinafter referred to as the “Facilities”.

Properties used in our operation are considered suitable for the purposes for which they are used, at the time they are placed into service, and are believed adequate to meet our needs for the reasonably foreseeable future.

### **ITEM 3           LEGAL PROCEEDINGS**

In the ordinary course of business we may be subject to litigation from time to time. Except as discussed below, there is no current, pending or, to our knowledge, threatened litigation or administrative action to which we are a party or of which our property is the subject (including litigation or actions involving our officers, directors, affiliates, or other key personnel, or holders of record or beneficially of more than 5% of any class of our voting securities, or any associate of any such party) which in our opinion has, or is expected to have, a material adverse effect upon our business, prospects financial condition or operations.

Please see the risk factor in Item 1A titled “We have been dependent on one or a few major customers. If we are unable to develop more customers our business most likely will be adversely affected.”

Arbitration with Precision Dose, Inc.



On May 9, 2014, Precision Dose Inc, the parent company of TAGI Pharmaceuticals, Inc., commenced an arbitration against the Company alleging that the Company failed to properly supply, price and satisfy gross profit minimums regarding Phentermine 37.5mg tablets, as required by the parties' agreements. Elite denies Precision Dose's allegations and has counterclaimed that Precision Dose is no longer entitled to exclusivity rights with respect to Phentermine 37.5mg tablets, and is responsible for certain costs, expenses, price increases and lost profits relating to Phentermine 37.5mg tablets and the parties' agreements. As of the date of filing of this annual report on Form 10-K this arbitration proceeding was ongoing.

**ITEM 4            MINE SAFETY DISCLOSURES.**

Not Applicable.

**PART II****ITEM 5 MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS  
AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our Common Stock is quoted on the Over-the-Counter Bulletin Board (OTCBB) under the ticker symbol "ELTP". The following table shows, for the periods indicated, the high and low bid prices per share of our Common Stock as by OTC Bulletin Board. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Quarter Ended	High	Low
Fiscal Year Ending March 31, 2014		
March 31, 2014	\$0.94	0.14
December 31, 2013	\$0.14	0.10
September 30, 2013	\$0.16	0.07
June 30, 2013	\$0.08	0.07
Fiscal Year Ending March 31, 2013		
March 31, 2013	\$0.10	0.06
December 31, 2012	\$0.12	0.05
September 30, 2012	\$0.14	0.10
June 30, 2012	\$0.17	0.08

As of June 20, 2014, the last reported sale price of our Common Stock, as reported by the OTCBB, was \$0.425.

**Holders**

As of June 20, 2014, there were, respectively, approximately 118 and 2 holders of record of our Common Stock and Series I Preferred Stock.

**Dividends**

We have never paid cash dividends on our Common Stock. We currently anticipate that we will retain all available funds for use in the operation and expansion of our business.

*Recent Sales of Unregistered Securities*

During the quarter ended March 31, 2014, the Company issued an aggregate of 18,908,490 shares of Common Stock, with such shares constituting unregistered securities, consisting of 5,025 shares of Common Stock issued in lieu of cash in payment of interest expense due and owing on Preferred Share derivatives as of December 31, 2013; 4,157,322 shares of Common Stock issued to Directors and Officers in payment of Directors Fees and Salaries in accordance with the Company's policy on Director Compensation, or the employment agreements with officers of the Company, as appropriate; 14,270,704 shares of Common Stock issued pursuant to the exercise of warrants, 308,333 shares of Common Stock issued pursuant to the exercise of options, and 167,106 shares of Common Stock issued pursuant to the conversion of Series C Preferred Shares

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth certain information regarding Elite's equity compensation plans as of March 31, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average price per share of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
Equity compensation plans approved by security holders(1)	—	—	3,000,000	
Equity compensation plans not approved by security holders	—	—	6,389,684	(2)
Total	—	—	9,389,684	

(1) Represents securities reserved and available for grant under the 2014 Equity Incentive Plan

(2) Represents securities reserved and available for grant under the 2009 Equity Incentive Plan

**2014 Equity Incentive Plan**

Our 2014 Equity Incentive Plan (the "2014 Plan") was adopted by the Board on March 17, 2014, to attract, motivate and retain officers, employees, consultants, and directors by issuing common stock based incentives to directors, officers, employees and consultants who are selected for participation. By relating incentive compensation to increases in shareholder value, it is hoped that these individuals will both continue in the long-term service of the Company and be motivated to experience a heightened interest and participate in the future success of Company operations. An aggregate of 3,000,000 common shares are reserved for grant and issuance pursuant to the 2014 Plan. The 2014 Plan is administered and interpreted by our Compensation Committee (the "Administrator"). Awards under the 2014 Plan may be granted in any one or all of the following forms: (i) incentive stock options ("ISOs") intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) non-qualified stock options ("NSOs"); (iii) stock appreciation rights, which may be granted in tandem with options or on a stand-alone basis; (iv) shares of restricted stock; (v) shares of unrestricted stock; (vi) performance shares, and (vii) performance units.

Options may not be granted under the 2014 Plan at an exercise price of less than the fair market value of the common stock on the date of grant and the term of options cannot exceed ten years. ISOs may only be granted to persons who are employees of the Company. The exercise price of an ISO granted to a holder of more than 10% of the common stock must be at least 110% of the fair market value of the common stock on the date of grant, and the term of these options cannot exceed five years.

The Administrator also may grant stock appreciation rights. Stock appreciation rights represent the right to receive upon exercise an amount payable in cash or common stock equal to (A) the number of shares with respect to which the stock appreciation right is being exercised multiplied by (B) the excess of (i) the fair market value of a share of common stock on the date the award is exercised over (ii) the exercise price specified in the award agreement.

Under the performance award component of the 2014 Plan, participants may be granted an award denominated in shares of common stock or in dollars. Achievement of the performance targets, or multiple performance targets established by the Administrator relating to corporate, group, unit or individual performance based upon standards set by the Administrator shall entitle the participant to payment at the full amount or a portion of the amount specified with respect to the award, at the discretion of the Administrator based on its evaluation of the performance of the target goals applicable to such award. Payment may be made in cash, common stock or any combination thereof, as determined by the Administrator, and shall be adjusted in the event the participant ceases to be an employee of the Company before the end of a performance cycle by reason of death, disability or retirement.

Under the stock component of the 2014 Plan, the Administrator may, in selected cases, grant to a plan participant a given number of shares of restricted stock or unrestricted stock. Restricted stock under the 2014 Plan is common stock restricted as to sale pending fulfillment of such vesting schedule and employment requirements as the Administrator shall determine. Prior to the lifting of the restrictions, the participant will nevertheless be entitled to receive distributions in liquidation and dividends on, and to vote the shares of, the restricted stock. The 2014 Plan provides for forfeiture of restricted stock for breach of conditions of grant.

The 2014 Plan also permits the board of directors (and not the Compensation Committee) to grant awards of NSOs, restricted stock or unrestricted stock to non-employee directors. The board may authorize individual grants or adopt one or more formulas for grants of awards to the non-employee directors. All options granted to non-employee directors must have an exercise price equal to the fair market value at the date of grant.

The exercise price of awards may be paid in cash, in shares of common stock (valued at fair market value at the date of exercise), by delivery of a notice of exercise together with irrevocable instructions to a broker to deliver to the Company the proceeds of the sale of common stock or of a loan from the broker sufficient to pay the exercise price, by having the Company withhold from shares being exercised the number of shares having a fair market value equal to the exercise price for all shares being exercised, or by a combination of the foregoing means of payment, as may be determined by the Administrator.

### **2009 Equity Incentive Plan**

Our 2009 Equity Incentive Plan was adopted by the Board on November 24, 2009, to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of Elite and its subsidiaries, by offering them an opportunity to participate in our future performance through awards of Options, the right to purchase Common Stock and Stock Bonuses. An aggregate of 8,000,000 common shares are reserved for grant and issuance pursuant to the 2009 Equity Incentive Plan. The 2009 Equity Incentive Plan is administered and interpreted by our Compensation Committee (the “Compensation Committee”). Under the 2009 Equity Incentive Plan, we are permitted to grant both incentive stock options (“*Incentive Stock Options*” or “*ISOs*”) within the meaning of Section 422 of the Internal Revenue Code (the “*Code*”) to employees, and other options which do not qualify as

Incentive Stock Options (the “*Non-Qualified Options*”) to employees, officers, Directors of and consultants to Elite. The per share purchase price of options granted under the 2009 Equity Incentive Plan may not be less than the fair market value of the shares on the date of the grant, provided that the exercise price of any ISO granted to a ten percent stockholder will not be less than 110% of the fair market value on the date of the grant. Recipients of ISO’s and Non-Qualified Options have no voting, dividend or other rights as stockholders with respect to shares of Common Stock covered by options prior to becoming the holders of record of such shares.

Under the 2009 Equity Incentive Plan, we also are permitted to offer stock awards (“2009 Equity Incentive Plan Stock Awards”) to eligible persons. The 2009 Equity Incentive Plan defines such stock awards as an offer by us to sell to an eligible person shares that may or may not be subject to restrictions. The purchase price of shares sold pursuant to an 2009 Equity Incentive Plan Stock Award may not be less than the fair market value of the shares on the grant date, provided, however, that the number of shares issued for the payment of employee and officers’ salaries, or directors’ fees will be computed using the average daily closing price, which is defined as the simple average of the closing price of each trading day in the quarter or other applicable period for which payment is due.

We also are permitted to award stock bonuses under the 2009 Equity Incentive Plan, which defines such stock bonuses as an award of shares for extraordinary services rendered to the Company.

#### **Issuer Purchases of Equity Securities**

None.

#### **ITEM 6 SELECTED FINANCIAL DATA**

Not applicable.

#### **ITEM 7 MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

##### **General**

The following discussion and analysis should be read with the financial statements and accompanying notes, included elsewhere in this Annual Report on Form 10-K and the information described in Item 1A “Risk Factors” and in “Forward Looking Statements” above. The following discussion is intended to assist the reader in understanding and evaluating our financial position.

##### **Critical Accounting Policies and Estimates**



Management's discussion addresses our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgment, including those related to bad debts, intangible assets, income taxes, workers compensation, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its Consolidated Financial Statements. Our most critical accounting policies include the recognition of revenue upon completion of certain phases of projects under research and development contracts. We also assess a need for an allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. We assess the recoverability of inventory, long-lived assets and intangible assets whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We assess our exposure to current commitments and contingencies. It should be noted that actual results may differ from these estimates under different assumptions or conditions.

## **Liquidity and Capital Resources**

### **Cash and Working Capital**

As of March 31, 2014, the Company had cash on hand of \$6.9 million and a working capital surplus of \$3.8 million. The Company believes that such resources, combined with the Company's access to the \$40 million equity line with Lincoln Park Capital, approximately \$500k available under the Hakim Credit Line and the \$5 million settlement with the VGS Parties are sufficient to fund operations through the current operating cycle. For the fiscal year ended March 31, 2014, it had losses from operations totaling \$5.3 million, net other expenses totaling \$91.6 million and a net loss of \$96.6 million. Please note that the Company's other income/(expenses) are significantly influenced by the fluctuations in the fair value of outstanding preferred share and warrant derivatives, and that such fair values strongly correlate to and vary inversely with the market share price of the Company's Common Stock.

The Company does not anticipate being profitable for the fiscal year ending March 31, 2015, due in large part to its plans to conduct clinical development and commercialization activities on a range of abuse resistant opioid products, on an accelerated and simultaneous basis. Such activities require the investment of significant amounts in clinical trials, safety and efficacy studies, bioequivalence studies, product manufacturing, regulatory expertise and filings, as well as investments in manufacturing and lab equipment and software. In order to finance these significant expenditures, the Company entered into the April 10, 2014 purchase agreement with Lincoln Park Capital Fund, LLC, with such agreement providing the company with an equity line of up to \$40 million. We believe this amount of financing, if received, is sufficient to fund the commercialization of the abuse resistant opioid products identified. Please see below for further details on the financing transactions with Lincoln Park.

In addition, the Company had previously received Notices of Default from the Trustee of the NJEDA Bonds as a result of the utilization of the debt service reserve being used to pay interest payments as well as the company's failure to make scheduled principal payments and is in the process of curing the defaults. See "NJEDA Bonds" below.

### **Lincoln Park Capital**

Pursuant to an April 19, 2013 purchase agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park") we had the right to sell to and Lincoln Park was obligated to purchase up to \$10 million in shares of the Company's Common Stock, subject to certain limitations, from time to time, over the 36 month period commencing on May 9, 2013. We raised the entire \$10 million from the sale of shares to Lincoln Park pursuant to that agreement. That agreement terminated in March 2014 with the sale of all shares covered by that agreement.

On April 10, 2014, we entered into another Purchase Agreement and a Registration Rights Agreement with Lincoln Park. Pursuant to the terms of the Purchase Agreement, Lincoln Park has agreed to purchase from us up to \$40 million of our common stock (subject to certain limitations) from time to time over a 36-month period. Pursuant to the terms of the Registration Rights Agreement, we have filed with the SEC a registration statement to register for resale under the Securities Act the shares that have been or may be issued to Lincoln Park under the Purchase Agreement. That registration statement was declared effective on May 1, 2014.

Upon execution of the Purchase Agreement, we have issued 1,928,641 shares of our common stock to Lincoln Park pursuant to the Purchase Agreement as consideration for its commitment to purchase additional shares of our common stock under that agreement and we are obligated to issue up to an additional 1,928,641 commitment shares to Lincoln Park pro rata as up to \$40 million of our common stock is purchased by Lincoln Park. Through June 20, 2014, we have sold to Lincoln Park an aggregate of 2,407,014 shares under the Purchase Agreement for aggregate gross proceeds of approximately \$0.9 million. In addition, we have issued an additional 43,232 Commitment Shares.

We may, from time to time and at our sole discretion but no more frequently than every other business day, direct Lincoln Park to purchase (a “Regular Purchase”) up to 500,000 shares of our common stock on any such business day, increasing up to 800,000 shares, depending upon the closing sale price of the common stock, provided that in no event shall Lincoln Park purchase more than \$760,000 worth of our common stock on any single business day. The purchase price of shares of Common Stock related to the future Regular Purchase funding will be based on the prevailing market prices of such shares at the time of sales (or over a period of up to 10 business days leading up to such time), but in no event will shares be sold to Lincoln Park on a day the Common Stock closing price is less than the floor price of \$0.10 per share, subject to adjustment.

In addition to Regular Purchases, on any business day on which we have properly submitted a Regular Purchase notice and the closing sale price is not below \$0.15, we may purchase (an “Accelerated Purchase”) an additional “accelerated amount” under certain circumstances. The amount of any Accelerated Purchase cannot exceed the lesser of three times the number of purchase shares purchased pursuant to the corresponding Regular Purchase; and 30% of the aggregate shares of our common stock traded during normal trading hours on the purchase date. The purchase price per share for each such Accelerated Purchase will be equal to the lower of (i) 97% of the volume weighted average price during the purchase date; or (ii) the closing sale price of our common stock on the purchase date.

In the case of both Regular Purchases and Accelerated Purchases, the purchase price per share will be equitably adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction occurring during the business days used to compute the purchase price.

Other than as set forth above, there are no trading volume requirements or restrictions under the Purchase Agreement, and we will control the timing and amount of any sales of our common stock to Lincoln Park.

Our sales of shares of Common Stock to Lincoln Park under the Lincoln Park Purchase Agreement are limited to no more than the number of shares that would result in the beneficial ownership by Lincoln Park and its affiliates, at any single point in time, of more than 9.99% of the then outstanding shares of Common Stock.

The Lincoln Park Purchase Agreement and the Lincoln Park Registration Rights Agreement contain customary representations, warranties, agreements and conditions to completing future sale transactions, indemnification rights and obligations of the parties. The Company has the right to terminate the Lincoln Park Purchase Agreement at any time, at no cost or penalty. Actual sales of shares of Common Stock to Lincoln Park under the Lincoln Park Purchase Agreement will depend on a variety of factors to be determined by the Company from time to time, including, without limitation, market conditions, the trading price of the Common Stock and determinations by the Company as to appropriate sources of funding for the Company and its operations. There are no trading volume requirements or restrictions under the Lincoln Park Purchase Agreement. Lincoln Park has no right to require any sales by the Company, but is obligated to make purchases from the Company as it directs in accordance with the Lincoln Park Purchase Agreement. Lincoln Park has covenanted not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of our shares.

The net proceeds under the Purchase Agreement to the Company will depend on the frequency and prices at which the Company sells shares of its stock to Lincoln Park. The Company expects that any proceeds received by the Company from such sales to Lincoln Park under the Lincoln Park Purchase Agreement will be used for general corporate purposes and working capital requirements.

#### **Treppel \$1,000,000 Bridge Revolving Credit Line**

On June 12, 2012 (the “Effective Date”), we entered into a bridge loan agreement (the “Treppel Loan Agreement”) with Jerry Treppel, our Chairman and CEO. Under the terms of the Treppel Loan Agreement, we have the right, in our sole discretion, to a line of credit (the “Treppel Credit Line”) in the maximum principal amount of up to \$500,000 at any one time. By amendments, the maximum principal amount was increased to \$1,000,000 and the maturity date was amended and extended. Mr. Treppel provided the Treppel Credit Line for the purpose of supporting the acceleration of our product development activities. The current term of the Treppel Loan Agreement ends on July 31, 2014, at which time the entire unpaid principal balance plus accrued interest thereon shall be due and payable in full. We may prepay any amounts owed without penalty. Any such prepayments shall first be attributable to interest due and owing and then to principal. Interest only shall be payable quarterly on July 1, October 1, January 1 and April 1 of each year. Prior to maturity or the occurrence of an Event of Default as defined in the Loan Agreement, we may borrow, repay, and reborrow under the Treppel Credit Line through maturity. Amounts borrowed under the Treppel Credit Line will bear interest at the rate of ten percent (10%) per annum. As of March 31, 2014, the principal balance owed under the Treppel Credit Line was zero with no accrued interest being owed, in accordance with the terms and conditions of the Credit Line.

#### **Hakim \$1,000,000 Bridge Revolving Credit Line**

On October 15, 2013 (the “Hakim Credit Line Effective Date”), we entered into a bridge loan agreement (the “Hakim Loan Agreement”) with Nasrat Hakim, our President and CEO. Under the terms of the Hakim Loan Agreement, we have the right, in our sole discretion, to a line of credit (“Hakim Credit Line”) in the maximum principal amount of up to \$1,000,000 at any one time. Mr. Hakim provided the Credit Line for the purpose of supporting the acceleration of our product development activities. The outstanding amount will be evidenced by a promissory note which shall mature on June 30, 2015, at which time the entire unpaid principal balance plus accrued interest thereon shall be due and payable in full. We may prepay any amounts owed without penalty. Any such prepayments shall first be attributable to interest due and owing and then to principal. Interest only shall be payable quarterly on January 1, April 1, July 1 and October 1 of each year. Prior to maturity or the occurrence of an Event of Default as defined in the Hakim Loan Agreement, we may borrow, repay, and reborrow under the Hakim Credit Line through maturity. Amounts borrowed under the Hakim Credit Line will bear interest at the rate of ten percent (10%) per annum. As of March 31, 2014, the principal balance owed under the Credit Line was \$528,750 with an additional \$9,810 in accrued interest being also owed, in accordance with the terms and conditions of the Credit Line.

**Convertible Note Payable to Mikah Pharma LLC**

On August 1, 2013, Elite Laboratories Inc. (“Elite Labs”), a wholly owned subsidiary of the Company, executed an asset purchase agreement (the “Mikah Purchase Agreement”) with Mikah Pharma LLC (“Mikah”), an entity that is wholly owned by Mr. Nasrat Hakim, who, in conjunction with this transaction, was appointed as Elite’s CEO, President and a Director on August 2, 2012, and acquired from Mikah a total of 13 Abbreviated New Drug Applications (“ANDAs”) consisting of 12 ANDAs approved by the FDA and one ANDA under active review with the FDA, and all amendments thereto (the “Acquisition”) for aggregate consideration of \$10,000,000, inclusive of imputed interest payable pursuant to a non-interest bearing, secured convertible note due in August 2016 (the “Mikah Note”). Please see “Elite’s Acquisition of a 13 Abbreviated New Drug Applications (“ANDAs”)” in Part I, Item 1 Business, above for more information on the Acquisition. The Mikah Note was amended on February 7, 2014 to make it convertible into shares of the Company’s Series I Convertible Preferred Stock.

The Mikah Note, as amended, was interest free and due and payable on the third anniversary of its issuance. Subject to certain limitations, the principal amount of the Mikah Note was convertible at the option of Mikah into shares of Common Stock at a rate of \$0.07 (approximately 14,286 shares per \$1,000 in principal amount), the closing market price of the Company's Common Stock on the date that the asset purchase agreement and Note were executed and/or into shares of the Company's Series I Convertible Preferred Stock at the rate of 1 share of Series I Preferred Stock for each \$100,000 of principal owed on the Mikah Note. The conversion rate was adjustable for customary corporate actions such as stock splits and, subject to certain exclusions, includes weighted average anti-dilution for common stock transactions at prices below the then applicable conversion rate. Pursuant to a security agreement (the "Security Agreement"), repayment of the Mikah Note was secured by the ANDAs acquired in the Acquisition.

Please also refer to Note 8 of the audited financial statements as and for the fiscal year ended March 31, 2014 for further details.

On February 7, 2014, Mikah converted the principal amount of \$10,000,000, representing the entire principal balance due under the Mikah Note, into 100 shares of the Company's Series I Preferred Stock.

### **Convertible Note Payable to Jerry Treppel**

On November 21, 2013, Elite entered into an unsecured convertible note (the "Treppel Note") with Jerry Treppel ("Treppel"), Elite's Chairman of the Board, in the amount of \$600,000 for the unpaid current principal amount owed pursuant to the Treppel Bridge Loan Agreement ("Treppel Credit Line"). The original Treppel Credit Line agreement was executed on June 12, 2012 and amended on December 5, 2012 and August 2, 2013. The Treppel Note was amended on February 7, 2014 to make it convertible into shares of the Company's Series I Preferred Stock. The Treppel Note, as amended, was interest free and due and payable on the third anniversary of its issuance. Subject to certain limitations, the principal amount of the Note was convertible at the option of Treppel on and after the first anniversary of the date of the Note into shares of the Company's Common Stock at a rate of \$0.099 (approximately 10,101 shares per \$1,000 in principal amount), the closing market price of the Company's Common Stock on the date that the Note was executed, and/or into shares of the Company's Series I Preferred Stock at a rate of 1 share of Series I Preferred Stock for each \$141,442.7157 of principal owed on the Treppel Note. The conversion rate was adjustable for customary corporate actions such as stock splits and, subject to certain exclusions, includes weighted average anti-dilution for common stock transactions at prices below the then applicable conversion rate.

On February 7, 2014, Treppel converted the principal amount of \$600,000, representing the entire principal balance due under the Treppel Note into 4.242 shares of the Company's Series I Preferred Stock.



Despite having entered into the Treppel Credit Line Agreement, the Hakim Credit Line Agreement and the Lincoln Park Purchase Agreement we still may be required to seek additional capital in the future and there can be no assurances that Elite will be able to obtain such additional capital on favorable terms, if at all.

Based upon our current cash position, management has undertaken a review of our operations and implemented cost-cutting measures in an effort to eliminate any expenses which are not deemed critical to our current strategic objectives. We will continue this process without impeding our ability to proceed with our critical strategic goals, which, as noted above, include developing our pain management and other products and manufacturing our current products.

Cash at March 31, 2014 was approximately \$6.9 million, an increase of approximately \$6.6 million from the approximately \$0.4 million balance of cash at March 31, 2013.

As of March 31, 2014, our principal source of liquidity was approximately \$6.9 million of cash. Additionally, we may have access to funds through the exercise of outstanding stock options and warrants and, as mentioned above, from the Lincoln Park Purchase Agreement, the Treppel Credit Line and the Hakim Credit Line. There can be no assurance that any of these sources will generate or provide sufficient cash.

#### **NJEDA Bonds**

On August 31, 2005, the Company successfully completed a refinancing of a prior 1999 bond issue through the issuance of new tax-exempt bonds (the "Bonds"). The refinancing involved borrowing \$4,155,000, evidenced by a 6.5% Series A Note in the principal amount of \$3,660,000 maturing on September 1, 2030 and a 9% Series B Note in the principal amount of \$495,000 maturing on September 1, 2012. The net proceeds, after payment of issuance costs, were used (i) to redeem the outstanding tax-exempt Bonds originally issued by the Authority on September 2, 1999, (ii) refinance other equipment financing and (iii) for the purchase of certain equipment to be used in the manufacture of pharmaceutical products. As of March 31, 2014, all of the proceeds were utilized by the Company for such stated purposes.

Interest is payable semiannually on March 1 and September 1 of each year. The Bonds are collateralized by a first lien on the Company's facility and equipment acquired with the proceeds of the original and refinanced Bonds. The related Indenture requires the maintenance of a \$415,500 Debt Service Reserve Fund consisting of \$366,000 from the Series A Notes proceeds and \$49,500 from the Series B Notes proceeds. The Debt Service Reserve is maintained in restricted cash accounts that are classified in Other Assets. \$1,274,311 of the proceeds had been deposited in a short-term restricted cash account to fund the purchase of manufacturing equipment and development of the Company's facility.

Bond issue costs of \$354,000 were paid from the bond proceeds and are being amortized over the life of the bonds. Amortization of bond issuance costs amounted to \$14,178 for the fiscal year ended March 31, 2014.

The NJEDA Bonds require the Company to make an annual principal payment on September 1st of varying amounts as specified in the loan documents and semi-annual interest payments on March 1st and September 1st, equal to interest due on the outstanding principal at the applicable rate for the semi-annual period just ended.

The interest payments due on March 1st and September 1st of 2009, 2010 2011, 2012 and 2013, totaling \$1,146,150 for all ten payments, were paid from the debt service reserved held in the restricted cash account, due to the Company not having sufficient funds to make such payments when they were due.

The principal payment due on September 1, 2009, totaling \$210,000 was paid from the debt service reserve held in the restricted cash account, due to the Company not having sufficient funds to make the payment when due.

The Company did not have sufficient funds available to make the principal payments due on September 1, 2010, totaling \$225,000 and requested that the Trustee withdraw such funds from the debt service reserve. The Company's request was denied and accordingly the principal payment due on September 1, 2010, totaling \$225,000 was not made.

The Company did not have sufficient funds available to make the principal payments due on September 1, 2011, totaling \$470,000, with such amount including the principal payments due on September 1, 2010 and not paid. There were not sufficient funds available in the debt service reserve and accordingly, the principal payment totaling \$470,000 was not made.

The Company did not have sufficient funds available to make the principal payments due on September 1, 2012, totaling \$730,000, with such amount including the principal payments due on September 1, 2011 and not paid. There were not sufficient funds available in the debt service reserve and accordingly, the principal payment totaling \$730,000 was not made.

The Company did not have sufficient funds available to make the principal payments due on September 1, 2013, totaling \$915,000, with such amount including the principal payments due on September 1, 2012 and not paid. There were not sufficient funds available in the debt service reserve and accordingly, the principal payment totaling \$915,000 was not made.

Pursuant to the terms of the NJEDA Bonds, the Company is required to replenish any amounts withdrawn from the debt service reserve and used to make principal or interest payments in six monthly installments, each being equal to one-sixth of the amount withdrawn and with the first installment due on the 15th of the month in which the withdrawal from debt service reserve occurred and the remaining five monthly payments being due on the 15th of the five immediately subsequent months. The Company has, to date, made all payments required in relation to the withdrawals made from the debt service reserve on March 1, 2009, September 1, 2009, March 1, 2010, September 1, 2010, March 1, 2011, September 1, 2011, March 1, 2012, September 1, 2012, March 1, 2013, September 1, 2013 and March 1, 2014.

The Company has received Notice of Default from the Trustee of the NJEDA Bonds in relation to the withdrawals from the debt service reserve, and no payment of scheduled principal amounts.

On June 20, 2014, subsequent to the end of Fiscal 2014 and in accordance with the terms and conditions of the bond indenture, the Company provided to the Trustee of the NJEDA Bonds written notice of its intent to redeem those bonds which were due and payable as of the same date.

The bond indenture requires that the Company provide the Trustee with 60 days written notice (or such shorter period agreeable to the Trustee), and that the Trustee would then notify the Depository Trust Company ("DTC") of the bonds which are to be redeemed. The DTC is then required to provide to the applicable bondholders notice of no less than 30 days nor more than 45 notice of the redemption.

Through the written notification, the Company has advised the Trustee of its ability and intentions to pay all amounts due and owing currently and separately, has advised the Trustee of its ability and intentions to pay the principal and interest payments which are due and payable on September 1, 2014.

The Company is cooperating with the Trustee to redeem all bonds currently due and owing, as well as those due on September 1, 2014, with the objective of curing all monetary defaults and achieving full compliance with the terms and conditions of the bonds as soon as possible.

The Company believes that the successful resolution of the bond defaults will have a significant and positive effect on the Company's ability to operate as a going concern.

Due to the issuance of a Notice of Default being previously received from the Trustee, and as the event of default was not waived or rescinded as of March 31, 2014, the Company has classified the entire principal balance due on the NJEDA Bonds, amounting to \$3.385 million, as a current liability, in accordance with generally accepted accounting principles.

### **Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that would be considered material to investors.

### **Effects of Inflation**

We are subject to price risks arising from price fluctuations in the market prices of the products that we sell. Management does not believe that inflation risk is material to our business or our consolidated financial position, results of operations, or cash flows.

### **Results of Consolidated Operations:**

#### **Year Ended March 31, 2014 as compared to the Year Ended March 31, 2013**

Our revenues for Fiscal 2014 were \$4.6 million, an increase of \$1.2 million or approximately 35% from revenues for the comparable period of the prior year, and consisted of \$3.0 million in manufacturing fees, \$0.1 million in lab and product development fees and \$1.5 million in license fees. Revenues for Fiscal 2013 consisted of \$2.2 million in manufacturing fees, \$0.4 million in lab and product development fees, and \$0.8 million in royalties and license fees. Manufacturing fees increased by approximately 35% due to the launch of new products in April 2013 (Phentermine 15mg and 30mg capsules) and in September 2013 (Naltrexone 50mg tablets) and the strong year-on-year growth of Elite's Phentermine 37.5mg tablets, Hydromorphone 8mg tablets and contract manufactured Methadone 10mg product lines. Lab and product development fees decreased by approximately 78% due to decreased lab stability study

revenues relating the discontinuance of the Lodrane® Extended Release Products. Royalties and license fees increased by approximately 91% due to milestones earned pursuant to the Epic Agreement, the strong growth in sales from the Phentermine and Hydromorphone product lines and the launch in September 2013 of Naltrexone 50mg, for which a milestone was also earned.

Research and development costs for Fiscal 2014 were approximately \$4.0 million, an increase of approximately \$3.0 million or approximately 300% from \$1.0 million of such costs for the comparable period of the prior year. The increase was primarily due to increased activities related to the development of Elite's abuse resistant opioid products, for which second and third patents were issued in May 2013 and April 2014, respectively, as well as the granting of a Canadian patent in March 2014. In addition, pilot bioequivalence trials for ELI-201, a twice-daily deterrent oxycodone product with abuse deterrent technology and pivotal bioequivalence trials for ELI-200, an undisclosed abuse deterrent opioid product, were both initiated and successfully completed during the year ended March 31, 2014.

General and administrative expenses for Fiscal 2014 were \$2.1 million an increase of \$0.6 million or approximately 39% from \$1.5 million of general and administrative expenses for the comparable period of the prior year. The increase was primarily due to the introduction of significant increases in annual fees being charged to the Company by the US FDA during Fiscal 2014, substantial increases in the cost of providing health insurance benefits to our employees, and increases in personnel required to support regulatory requirements.

Depreciation and amortization for Fiscal 2014 was \$0.5 million, an increase of \$0.4 million or approximately 328%, from \$0.1 million for the comparable period of the prior year. The increase was primarily due to the commissioning, for commercial operations, of the new facility at 135 Ludlow in January of 2013, with the cost related assets and capital investments being placed in service and absorbed into manufacturing operations through depreciation expenses.

Non-cash compensation through the issuance of stock options and warrants for Fiscal 2014 was approximately \$0.1 million, an increase of \$0.03 million, or approximately 80% from \$0.05 million for the comparable period of the prior year. The increase was due to the issuance of options to purchase an aggregate of 3,000,000 shares of Common Stock to various employees during Fiscal 2014 and the timing of the amortization schedule established at the time of issuance of the related stock options and warrants.

As a result of the foregoing, our loss from operations for Fiscal 2014 was \$5.3 million, compared to a loss from operations of \$1.6 million for Fiscal 2013.

Other expenses for Fiscal 2014 were a net expense of \$91.6 million, a decrease in net other income of increase in other net income of \$94.3 million from the net other income of \$2.7 million for the comparable period of the prior year. The decrease in other income was due to derivative expenses relating to changes in the fair value of our preferred shares, outstanding warrants and convertible note payable derivatives during Fiscal 2014 totaling \$90.7 million, as compared to a net derivative income of \$3.5 million for the comparable period of the prior year, a \$94.3 million overall reduction in other income. Please note that derivative income/(expenses) are most significantly determined by the closing price of the Company's Common Stock as of the end of each annual or quarterly reporting period, and also as of the date on which shares of the Company's convertible preferred stock are converted into common stock, with incomes being generated by decreases in such closing prices and expenses being incurred by increases in such closing prices. The closing price of the Company's Common Stock as of March 31, 2014 was \$0.41, as compared to a closing price of \$0.08 as of March 31, 2013. Closing prices on the various dates on which shares of convertible preferred stock were converted to common stock ranged from \$0.07 to \$0.94 during the year ended March 31, 2014. These variances in the closing price of the Company's Common Stock as compared with the closing price at the end of the immediately preceding fiscal year end were significant factors in the derivative income recorded during the year ended March 31, 2014.

As a result of the foregoing, our net loss for Fiscal 2014 was \$96.6 million, compared to a net income of \$1.5 million for Fiscal 2013.



### **Material Changes in Financial Condition**

Our working capital (total current assets less total current liabilities) increased by \$6.9 million from a deficit of \$3.1 million as of March 31, 2013 to a surplus of surplus of \$3.8 million as of March 31, 2014, with such increase being primarily due to the loss from operations sustained during Fiscal 2014 being financed by \$10 million in proceeds from the sale of Common Stock pursuant to the Purchase Agreement with Lincoln Park, \$0.9 million in proceeds from the exercise of cash warrants and options and \$0.6 million in proceeds from draws against related party credit lines, all such financings constituting capital financings. Capital financings provide cash to the Company without a corresponding current liability and accordingly have an accretive effect on working capital.

We experienced negative cash flows from operations of \$4.2 million for Fiscal 2014, primarily due to our net loss of \$96.6 million, offset by non-cash other income items totaling \$92.3 million included in the net income, combined with increases in accounts payable and accrued liabilities of \$0.9 million (resulting in a positive effect on cash flow), and offset by increases in accounts receivable, inventory and prepaid expenses of \$0.8 million (resulting in a negative effective on cash flow).

## **ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable

## **ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Attached hereto and filed as a part of this Annual Report on Form 10-K are our Consolidated Financial Statements, beginning on page F-1.

## **ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

## **ITEM 9A CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including the Chief Executive and Chief Financial Officers, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”) as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive and Chief Financial Officers concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective so that that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management to allow for timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management has determined that, as of March 31, 2014, there were material weaknesses in both the design and effectiveness of our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The deficiencies in our internal controls over financial reporting and disclosure controls and procedures are related to the lack of segregation of duties due to the size of our accounting department, which replaced an outside accounting firm and non-employee Chief Financial Officer on July 1, 2009, and limited enterprise resource planning systems. When our financial position improves, we intend to hire additional personnel and implement enterprise resource planning systems required to remedy such deficiencies.

## **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, that receipts and expenditures are being made only in accordance with authorization of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraudulent actions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm because we are not an accelerated filer or a large accelerated filer.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on that assessment under those criteria, management has determined that, at March 31, 2014, there were material weaknesses in both the design and effectiveness of our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The deficiencies in our internal controls over financial reporting and disclosure controls and procedures are related to the lack of segregation of duties due to the size of our accounting department, which replaced an outside accounting firm and non-employee Chief Financial Officer on July 1, 2009, and limited enterprise resource planning systems. The Company plans on hiring additional personnel and implementing enhanced enterprise resource planning systems to remedy such deficiencies, with the timing and extent of such actions being conducted as and when resources for such

become available.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of Fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B OTHER INFORMATION**

None

**PART III**

**ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The following sets forth biographical information about each of our directors and executive officers as of the date of this report:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Director / Officer Since</b>	<b>Director Tier<sup>3</sup></b>
Nasrat Hakim	53	President, Chief Executive Officer and Director	August 1, 2013	III
Jerry Treppel <sup>1</sup>	60	Chairman	November 2008	I
Barry Dash, Ph. D.	83	Director	April 2005	II
Ashok G. Nigalaye, Ph.D.	62	Chief Scientific Officer and Director	June 2009 <sup>2</sup>	II
Jeenarine Narine	64	Director	June 2009	I
Jeffrey Whitnell	58	Director	October 2009	III
Carter J. Ward	50	Chief Financial Officer, Secretary and Treasurer	July 2009	

(1) Mr. Treppel served as CEO from September 15, 2009 to July 31, 2013.

(2) Dr. Nigalaye has served as a Director since June 2009 and as Chief Scientific Officer since September 2009.

(3) We have three tiers of directors: (A) two Tier I directors whose term expires at the 2015 annual meeting and until their respective successors are elected and qualified, (B) two Tier II directors whose term expires at the 2016 annual meeting and until their respective successors are elected and qualified and (C) two Tier III directors whose term expires at the 2017 annual meeting and until their respective successors are elected and qualified.

Chris Dick served as the Company's President, Chief Operating Officer and a Director until he stepped down from these positions in May 2013.

The principal occupations and employment of each Director during the past five years is set forth below. In each instance in which dates are not provided in connection with a director's business experience, such nominee has held the position indicated for at least the past five years.

## Nasrat Hakim

*Nasrat Hakim* has served as a Director, President and Chief Executive officer since August 1, 2013. Mr. Hakim has more than 30 years of pharmaceutical and medical industry experience in Quality Assurance, Analytical Research and Development, Technical Services and Regulatory Compliance. He brings with him proven management experience, in-depth knowledge of manufacturing systems, development knowledge in immediate and extended release formulations and extensive regulatory experience of GMP and FDA regulations. From 2004 - 2013, Mr. Hakim was employed by Actavis, Watson and Alpharma in various senior management positions. Most recently, Mr. Hakim served as International Vice President of Quality Assurance at Actavis, overseeing 25 sites with more than 3,000 employees under his leadership. Mr. Hakim also served as Corporate Vice President of Technical Services, Quality and Regulatory Compliance for Actavis U.S., Global Vice President, Quality and Regulatory Compliance for Alpharma, as well as Executive Director of Quality Unit at TheraTech, overseeing manufacturing and research and development. In 2009, Mr. Hakim founded Mikah Pharma, LLC, a virtual, fully functional pharmaceutical company. Mr. Hakim holds a Bachelor in Chemistry/Bio-Chemistry and Masters of Science in Chemistry from California State University at Sacramento, Sacramento, CA; a Masters in Law with Graduate Certification in U.S. and International Taxation from St. Thomas University, School of Law, Miami, FL.; and a Graduate Certification in Regulatory Affairs (RAC) from California State University at San Diego, San Diego, CA. Mr. Hakim's leadership experience (consisting of extensive experience in senior management positions, responsible for 25 global manufacturing/regulatory sites with more than 3,000 employees under his leadership), industry experience (comprising more than 30 years of pharmaceutical and medical industry experience served in various quality assurance, analytical research and development/technical services and compliance positions) and academic experience (including Bachelor degrees in Chemistry and Bio-Chemistry, Masters degrees in Chemistry and Law, with Graduate Certification in U.S. and International Taxation, and a Graduate Certification in Regulatory Affairs) led to the conclusion that he is qualified to serve as a director.

## Jerry Treppel

*Jerry Treppel* has served as a Director since October 28, 2008, Chairman of the Board since November 6, 2008 and Chief Executive Officer from September 15, 2009 to July 31, 2013. Mr. Treppel is currently a Managing Director of ArcLight Advisors, an investment bank specializing in the health care sector. From October 2008 through March 2013, Mr. Treppel was Managing Director of Ledgemont Capital Group LLC, a boutique merchant bank that provided access to capital and corporate advisory services to public and private companies. Additionally, he served as the managing member of Wheaton Capital Management LLC, a capital management company focusing on investments in the health care sector from 2003 to 2008. Over the past 20 years, Mr. Treppel was an equity research analyst focusing on the specialty pharmaceuticals and generic drug sectors at several investment banking firms including Banc of America Securities, Warburg Dillon Read LLC (now UBS), and Kidder, Peabody & Co. He previously served as a healthcare services analyst at various firms, including Merrill Lynch & Co. He also held administrative positions in the healthcare services industry early in his career. From 2003 to 2009, Mr. Treppel served as a member of the board of directors of Akorn, Incorporated (NASDAQ: AKRX), a specialty pharmaceutical company engaged in the development, manufacturing and marketing of branded and multi-source pharmaceutical products and vaccines. Mr. Treppel also served as the Chair of Akorn's Nominating and Corporate Governance Committee and as a member of its Audit Committee and Compensation Committee. Mr. Treppel holds a BA in Biology from Rutgers College in New



Brunswick, N.J., an MHA in Health Administration from Washington University in St. Louis, Mo., and an MBA in Finance from New York University. Mr. Treppel has been a Chartered Financial Analyst (CFA) since 1988. Mr. Treppel's knowledge of the pharmaceutical industry as well as his education credentials and his experience as a member of the board of directors of Akorn, Incorporated led to the conclusion that he is qualified to serve as a director.

**Barry Dash, Ph.D.**

*Dr. Barry Dash* has served as a Director since April 2005, Member of the Audit Committee since April 2005, Member of the Nominating Committee since April 2005 and Member and Chairman of the Compensation Committee since June 2007. Dr. Dash has been, since 1995, President and Managing Member of Dash Associates, L.L.C., an independent consultant to the pharmaceutical and health industries. From 1983 to 1996 he was employed by Whitehall-Robins Healthcare, a division of American Home Products Corporation (now known as Wyeth), initially as Vice President of Scientific Affairs, then as Senior Vice President of Scientific Affairs and then as Senior Vice President of Advanced Technologies, during which time he personally supervised six separate departments: Medical and Clinical Affairs, Regulatory Affairs, Technical Affairs, Research and Development, Analytical R&D and Quality Management/Q.C. Dr. Dash had been employed by the Whitehall Robins Healthcare from 1960 to 1976, during which time he served as Director of Product Development Research, Assistant Vice President of Product Development and Vice President of Scientific Affairs. Dr. Dash had been employed by J.B. Williams Company (Nabisco Brands, Inc.) from 1978 to 1982. From 1976 to 1978 he was Vice President and Director of Laboratories of the Consumer Products Division of American Can Company. He currently serves on the board of directors of GeoPharma, Inc. (NASDAQ: GORX). Dr. Dash holds a Ph.D. from the University of Florida and M.S. and B.S. degrees from Columbia University where he was Assistant Professor at the College of Pharmaceutical Sciences from 1956 to 1960. He is a member of the American Pharmaceutical Association, the American Association for the Advancement of Science and the Society of Cosmetic Chemist, American Association of Pharmaceutical Scientists, Drug Information Association, American Foundation for Pharmaceutical Education, and Diplomate American Board of Forensic Examiners. He is the author of scientific publications and patents in the pharmaceutical field. Dr. Dash's extensive education in pharmaceutical sciences and his experience in the development of scientific products, including his experience in regulatory affairs, led to the conclusion that he is qualified to serve as a director.

**Ashok G. Nigalaye, Ph.D.**

*Dr. Ashok G. Nigalaye* has served as a Director since June 24, 2009, member of the Compensation Committee since October 23, 2009 and Chief Scientific Officer since September 15, 2009. Dr. Nigalaye was elected as a member of Elite's Board in June 2009 as one of three directors designated by Epic pursuant to the terms of the Epic Strategic Alliance Agreement. Since December 2010, Dr. Nigalaye has been the Chairman and Chief Executive Officer of Epic Pharma, LLC, a manufacturer of generic pharmaceuticals and Elite's strategic partner pursuant to the Epic Strategic Alliance Agreement. From July 2008 to December 2010, Dr. Nigalaye served as Epic Pharma's President and Chief Executive Officer. From August 1993 to February 2008, Dr. Nigalaye served as Vice President of Scientific Affairs and Operations of Actavis Totowa LLC, a manufacturer of generic pharmaceuticals, where he was responsible for directing and organizing company activities relating to pharmaceutical drug manufacturing, regulatory affairs and research and development. Dr. Nigalaye currently serves as a director of GTI Inc., a privately held company. Dr. Nigalaye holds a B.S. in Pharmacy from the University of Bombay, an M.S. in Industrial Pharmacy from Long Island University, and a Ph.D. in Industrial Pharmacy from St. John's University. Dr. Nigalaye is also a licensed pharmacist in the State of New York. Dr. Nigalaye's extensive education in pharmaceutical sciences and experience as a director and officer of pharmaceutical companies led to the conclusion that he is qualified to serve as a director.

**Jeenarine Narine**

*Jeenarine Narine* has served as a Director since June 24, 2009 and member of the Nominating Committee since October 23, 2009. Mr. Narine was elected as a member of Elite's Board in June 2009 as one of three directors designated by Epic pursuant to the terms of the Epic Strategic Alliance Agreement. Since December 2010, Mr. Narine has been the President and Chief Operating Officer of Epic Pharma, LLC, a manufacturer of generic pharmaceuticals and Elite's strategic partner pursuant to the Epic Strategic Alliance Agreement, in which capacity he oversees all manufacturing operations. From July 2008 to December 2010, Mr. Narine served as Epic Pharma's Executive Vice President of Manufacturing and Operations. Mr. Narine is also the current President of Eniran Manufacturing Inc., a contract manufacturer of dietary and nutritional supplements, and has held such office since 2000. In addition, Mr. Narine has been since 1989 the President of A&J Machine Inc., a company owned by Mr. Narine that is engaged in the sales of new and used pharmaceutical manufacturing equipment. In addition to this professional experience, Mr. Narine graduated from the Guyana Industrial Institute, where he studied Metalology and Welding. Mr. Narine's experience as President and Chief Operating Officer and, previously, as Executive Vice President of Manufacturing and Operations of Epic Pharma LLC and his knowledge of pharmaceutical manufacturing equipment led to the conclusion that he is qualified to serve as a director.

### **Jeffrey Whitnell**

*Jeffrey Whitnell* has served as a Director since October 23, 2009, Chairman of the Audit Committee since October 23, 2009, member of the Nominating Committee since October 23, 2009, member of the Compensation Committee since October 23, 2009 and designated by the Board as an “audit committee financial expert” as defined under applicable rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), since October 23, 2009. Since June 2010, Mr. Whitnell has been the Chief Financial Officer for Neurowave Medical Technologies, a medical device company. From June 2009 to June 2010, Mr. Whitnell provided financial consulting services to various healthcare companies, including Neurowave Medical Technologies. From June 2004 to June 2009, Mr. Whitnell was Chief Financial Officer and Senior Vice President of Finance at Akorn, Inc. From June 2002 to June 2004, Mr. Whitnell was Vice President of Finance and Treasurer for Ovation Pharmaceuticals. From 1997 to 2001, Mr. Whitnell was Vice President of Finance and Treasurer for MediChem Research. Prior to 1997, Mr. Whitnell held various finance positions at Akzo Nobel and Motorola. Mr. Whitnell began his career as an auditor with Arthur Andersen & Co. He is a certified public accountant and holds an M.B.A. in Finance from the University of Chicago and a B.S. in Accounting from the University of Illinois. Mr. Whitnell’s qualifications as an accounting and audit expert provide specific experience to serve as a director for the Company.

### **Carter J. Ward**

Carter J. Ward has served as Chief Financial Officer, Secretary and Treasurer of the Company since July 1, 2009. Prior to joining the Company, from July 2005 to April 2009, Mr. Ward filled multiple finance and supply chain leadership roles with the Actavis Group and its U.S. subsidiary, Amide Pharmaceuticals. From September 2004 to June 2005, Mr. Ward was a consultant, mainly engaged in improving internal controls and supporting Sarbanes Oxley compliance of Centennial Communications Inc., a NASDAQ listed wireless communications provider. From 1999 to September 2004, Mr. Ward was the Chief Financial Officer for Positive Healthcare/Ceejay Healthcare, a U.S.-Indian joint venture engaged in the manufacture and distribution of generic pharmaceuticals and nutraceuticals in India. Mr. Ward began his career as a certified public accountant in the audit department of KPMG and is a Certified Supply Chain Professional (“CSCP”). Mr. Ward holds a B.S. in Accounting from Long Island University, Brooklyn, NY, from where he graduated summa cum laude. Mr. Ward’s experience and expertise in the area of finance and more specifically, as a Certified Supply Chain Professional, provides the qualifications, attributes and skills to serve as an officer for the Company.

Each director currently holds office until the expiration of his Tier (each for three years) or until such director’s death, resignation or removal. Pursuant to our recently amended and restated bylaws, our Board of Directors is now classified into three separate tiers of directors, with each respective tier to serve a three-year term and until their successors are duly elected and qualified.

There are no family relationships between any of our directors and executive officers.



## Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our Officers, Directors, and persons who own more than ten percent of a registered class of equity securities, to file reports with the Securities and Exchange Commission reflecting their initial position of ownership on Form 3 and changes in ownership on Form 4 or Form 5. Based solely on a review of the copies of such Forms received by us, we found that, during the fiscal year ended March 31, 2014, two of our Officers and Directors and two entities that had beneficial ownership of more than ten percent of a registered class of equity securities had not complied with all applicable Section 16(a) filing requirements on a timely basis with regard to transactions occurring in Fiscal 2014. Specifically, as follows:

Name	Late Filings	No. of Transactions
Ashok Nigalaye	6	9
Jeenarine Narine	6	9
Epic Investments LLC	6	9
Epic Pharma LLC	6	9
Nasrat Hakim	1	1
Jerry Treppel	1	3
Barry Dash	1	1
Carter Ward	1	1

## Committees of the Board

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee.

### Audit Committee

During Fiscal 2014, the members of the Audit Committee were Jeffrey Whitnell (Chairman of the Audit Committee), and Dr. Barry Dash. We deem Messrs. Whitnell and Dash to be independent and Mr. Whitnell to be qualified as an audit committee financial expert. The Board of Directors has determined that Messrs. Whitnell and Dash are independent directors as (i) defined in Rule 10A-3(b)(1)(ii) under the Exchange Act and (ii) under Sections 803A(2) and 803B(2)(a) of the NYSE MKT LLC Company Guide (although our securities are not listed on the NYSE MKT LLCE or any other national exchange).

### Nominating Committee

During Fiscal 2014, the members of the Nominating Committee were Dr. Barry Dash and Jeenarine Narine. There were no material changes to the procedures by which security holders may recommend nominees to our Board of

Directors since the filing of our last Annual Report on Form 10-K.

#### Compensation Committee

During Fiscal 2013, the members of the Compensation Committee were Dr. Barry Dash (Chairman of the Nominating Committee), Dr. Ashok Nigalaye and Jeffrey Whitnell.

#### **Code of Conduct and Ethics**

At the first meeting of the Board of Directors following the annual meeting of stockholders held on June 22, 2004, the Board of Directors adopted a Code of Business Conduct and Ethics that is applicable to the Company's directors, officers and employees. A copy of the Code of Business Conduct and Ethics is available on our website at [www.elitepharma.com](http://www.elitepharma.com), under Investor Relations.

## **ITEM 11 EXECUTIVE COMPENSATION**

### **Compensation discussion and analysis summary**

Our approach to executive compensation, one of the most important and complex aspects of corporate governance, is influenced by our belief in rewarding people for consistently strong execution and performance. We believe that the ability to attract and retain qualified executive officers and other key employees is essential to our long-term success.

### **Compensation Linked to Attainment of Performance Goals**

Our plan to obtain and retain highly skilled employees is to provide significant incentive compensation opportunities and market competitive salaries. The plan was intended to link individual employee objectives with overall company strategies and results, and to reward executive officers and significant employees for their individual contributions to those strategies and results. Furthermore, we believe that equity awards serve to align the interests of our executives with those of our stockholders. As such, equity is a key component of our compensation program.

### **Role of the Compensation Committee**

The Company formed the Compensation Committee in June 2007. Since the formation of the Compensation Committee all elements of the executives' compensation are determined by the Compensation Committee, which is comprised of a two independent non-employee directors, and one director who is also the Company's Chief Scientific Officer. However, the Compensation Committee's decisions concerning the compensation of the Company's Chief Executive Officer are subject to ratification by the independent directors of the Board of Directors. As of March 31, 2014, the members of the Compensation Committee were Barry Dash, Ashok Nigalaye and Jeffrey Whitnell. The Committee operates pursuant to a charter. Under the Compensation Committee charter, the Compensation Committee has authority to retain compensation consultants, outside counsel, and other advisors that the committee deems appropriate, in its sole discretion, to assist it in discharging its duties, and to approve the terms of retention and fees to be paid to such consultants. The Compensation Committee did not engage any advisors.

### **Named Executive Officers and Key Employees**

The named executive officers and key employees for the fiscal year ended March 31, 2014 were:



- Jerry Treppel, Chief Executive Officer through August 2, 2013
- Nasrat Hakim, Chief Executive Officer and President from August 2, 2013
- Chris C. Dick, President and Chief Operating Officer through May 24, 2013
- Carter J. Ward, Chief Financial Officer, Secretary and Treasurer for the full year.

These individuals are referred to collectively as the “Named Executive Officers”.

### **Our executive compensation program**

#### **Overview**

The primary elements of our executive compensation program are base salary, incentive cash and stock bonus opportunities and equity incentives typically in the form of stock option grants or payment of a portion of annual salary as stock. Although we provide other types of compensation, these three elements are the principal means by which we provide the Named Executive Officers with compensation opportunities.

The annual bonus opportunity and equity compensation components of the executive compensation program reflect our belief that a portion of an executive's compensation should be performance-based. This compensation is performance-based because payment is tied to the achievement of corporate performance goals. To the extent that performance goals are not achieved, executives will receive a lesser amount of total compensation.

## **Elements of our executive compensation program**

### **Base Salary**

We pay a base salary to certain of the Named Executive Officers, with such payments being made in either cash, Common Stock or a combination of cash and Common Stock. In general, base salaries for the Named Executive Officers are determined by evaluating the responsibilities of the executive's position, the executive's experience and the competitive marketplace. Base salary adjustments are considered and take into account changes in the executive's responsibilities, the executive's performance and changes in the competitive marketplace. We believe that the base salaries of the Named Executive Officers are appropriate within the context of the compensation elements provided to the executives and because they are at a level which remains competitive in the marketplace.

### **Bonuses**

The Board of Directors may authorize us to give discretionary bonuses, payable in cash or shares of Common Stock, to the Named Executive Officers and other key employees. Such bonuses are designed to motivate the Named Executive Officers and other employees to achieve specified corporate, business unit and/or individual, strategic, operational and other performance objectives.

### **Stock Options**

Stock options constitute performance-based compensation because they have value to the recipient only if the price of our Common Stock increases. Stock options for each of the Named Executive Officers generally vest over time, obtainment of a corporate goal or a combination of the two.

The grant of stock options at Elite is designed to motivate our Named Executive Officers to achieve our short-term and long-term corporate goals.

### **Retirement and Deferred Compensation Benefits**

We do not presently provide the Named Executive Officers with a defined benefit pension plan or any supplemental executive retirement plans, nor do we provide the Named Executive Officers with retiree health benefits. We have adopted a deferred compensation plan under Section 401(k) of the Code. The plan provides for employees to defer compensation on a pretax basis subject to certain limits, however, Elite does not provide a matching contribution to its participants.

The retirement and deferred compensation benefits provided to the Named Executive Officers are not material factors considered in making other compensation determinations with respect to Named Executive Officers.

### **Post-Termination/Change of Control Compensation**

Pursuant to his employment agreement, Nasrat Hakim, our Chief Executive Officer, is entitled to a payment in an amount equal to two years base annual salary in effect upon the date of termination, less applicable deductions and withholdings, payable in Common Stock upon a Change of Control (as defined in the Hakim Employment Agreement). For more detailed information, please see “Agreements with Named Executive Officers” below.

We do not presently provide the Named Executive Officers with any plan or arrangement other than those that may be contained in employment contracts, in connection with any termination including, without limitation, through retirement, resignation, severance or constructive termination (including a change in responsibilities) of such Named Executive Officer's employment with the Company.

As part of the Company's efforts to ensure the retention and continuity of key employees, officers and directors in the event of a change of control of the ownership of the Company, unless otherwise stated in applicable employment contracts, key executives would receive an amount equal to twelve months of such executive's salary, and certain Directors and managers would receive an amount equal to six months of such Director's or managers fees or salaries as applicable. In addition, any outstanding and unvested options would immediately vest, in the event of a change of control.

### **Perquisites**

As described in more detail below, the perquisites provided to certain of the Named Executive Officers consist of car allowances and life insurance premiums. These perquisites represent a small fraction of the total compensation of each such Named Executive Officer. The value of the perquisites we provide are taxable to the Named Executive Officers and the incremental cost to us of providing these perquisites is reflected in the Summary Compensation Table. The Board of Directors believes that the perquisites provided are reasonable and appropriate. For more information on perquisites provided to the Named Executive Officers, please see the "All Other Compensation" column of the Summary Compensation Table and "Agreements with Named Executive Officers," below.

### ***Agreements with Named Executive Officers***

#### **Nasrat Hakim**

Pursuant to his August 2013 employment agreement (the "Hakim Employment Agreement"), Mr. Hakim receives an annual salary of \$350,000 per year. The Salary is paid in shares of the Company's Common Stock pursuant to the Company's current procedures for paying Company executives in Stock. He also is entitled to an annual bonus equal to up to 100% of his annual salary (also payable in stock) based upon his ability to meet certain Company milestones to be determined by the Company's Board of Directors. The Board may also award discretionary bonuses in its sole discretion. Mr. Hakim is entitled to employee benefits (e.g., health, vacation, employee benefit plans and programs) consistent with other Company employees of his seniority and a car allowance. The Hakim Employment Agreement contains confidentially, non-competition and other standard restrictive covenants.

Mr. Hakim's employment is terminable by the Company for cause (as defined in the Hakim Employment Agreement). The Hakim Employment Agreement also may be terminated by the Company upon at least 30 days written notice due to disability (as defined in the Hakim Employment Agreement) or without cause. Mr. Hakim can terminate the Hakim Employment Agreement by resigning, provided he gives notice at least 60 days prior to the effective resignation date. If Mr. Hakim is terminated for cause or he resigns, he only is entitled to accrued and unpaid annual salary, accrued vacation time and any reasonable and necessary business expenses, all through the date of termination and payable in stock ("Basic Termination Benefits"). If Mr. Hakim is terminated because of disability or death, in addition to Basic Termination Benefits, He is entitled his pro rata annual bonus through the date of termination (payable in Stock). If the Company terminates Mr. Hakim without cause, In addition to Basic Termination Benefits, Mr. Hakim is entitled to his pro rata annual bonus through the date of termination and an amount equal to two years' annual salary (all payable in Stock).

Upon a Change of Control (as defined in the Hakim Employment Agreement), Mr. Hakim is entitled to a payment in an amount equal to two years base annual salary in effect upon the Date of Termination, less applicable deductions and withholdings, payable in Stock computed in the same manner as set forth as the Salary.

**Jerry Treppel**

On December 1, 2008, Elite entered into a compensation agreement with Mr. Treppel (the “*First Treppel Agreement*”) providing for the terms under which Mr. Treppel will serve as the non-executive Chairman of the Board. Pursuant to the First Treppel Agreement, Mr. Treppel will serve as the non-executive Chairman of the Board until immediately prior to the next annual meeting of the Company’s stockholders; provided, however, that following such annual meeting, and each subsequent annual meeting of the Company’s stockholders, if the Board elects Mr. Treppel as the non-executive Chairman of the Board, the term of the First Treppel Agreement will be extended through the earlier of (a) the date of the next subsequent annual meeting of the Company’s stockholders and (b) the date upon which Mr. Treppel no longer serves as the non-executive Chairman.

During the term of the First Treppel Agreement, including any applicable extensions thereof, Mr. Treppel is entitled to cash compensation of \$2,083.33 on a monthly basis in lieu of, and not in addition to, any cash directors’ fees and other compensation paid to other non-employee members of the Board. Mr. Treppel is also entitled to reimbursement of any expenses reasonably incurred in the performance of his duties under the First Treppel Agreement upon presentation of proper written evidence of such expenditures.

In addition, pursuant to the terms of the First Treppel Agreement, Elite granted to Mr. Treppel under its 2004 Stock Option Plan non-qualified stock options to purchase 180,000 shares of Common Stock of Elite, par value \$0.001 per share, exercisable for a period of 10 years at an exercise price per share of \$0.06, subject to the terms and conditions of the related option agreement.

Under the First Treppel Agreement, Elite has also agreed to indemnify Mr. Treppel to the fullest extent permitted by law in accordance with the By-Laws of Elite against (a) reasonable expenses, including attorneys’ fees, incurred by him in connection with any threatened, pending, or completed civil, criminal, administrative, investigative, or arbitrative action, suit, or proceeding (and any appeal therein) seeking to hold him liable for actions taken in his capacity as Chairman of the Board, and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine (including assessment of excise tax with respect to an employee benefit plan), penalty or settlement for which he may have become liable in any such action, suit or proceeding, provided that any such expenses or payments are not the result of Mr. Treppel’s gross negligence, willful misconduct or reckless actions.

Either party may terminate the First Treppel Agreement, effective immediately upon the giving of written notice to the other party. If no such written notice is given, then the term of the First Treppel Agreement shall end immediately prior to the next annual meeting of the Company's stockholders (the "Treppel Term"), provided however, that following such annual meeting, and each subsequent meeting of the Company's stockholders, if the Board elects Mr. Treppel to continue to serve as the non-executive Chairman of the Board, the Treppel Term shall be extended through the earlier of (a) the date of the next subsequent annual meeting of the Company's stockholders and (b) the date upon which Mr. Treppel shall no longer serve as the non-executive Chairman of the Board.

On September 15, 2009, Mr. Treppel was appointed Chief Executive Officer of the Company and he served in that capacity until his resignation in August 2013. He continues to also serve as Chairman of the Board and he has agreed to forego any additional compensation related to his activities and Chief Executive Officer. Accordingly, Mr. Treppel's compensation as Chief Executive Officer and Chairman of the Board remains unchanged from the First Treppel Agreement.

On October 23, 2009, at the meeting of the Board held immediately after the annual stockholders meeting, Mr. Treppel's compensation as Chairman of the Board was revised to an annual amount of \$30,000, payable in common shares of the Company. The amount of common shares to be issued to Mr. Treppel in payment of compensation due to him as Chairman of the Board is calculated on a quarterly basis, and is equal to the quotient of the quarterly amount due of \$7,500, divided by the average daily closing price of the Company's Common Stock for the quarter just ended.

Mr. Treppel agreed to forego any additional compensation for his services as Chief Executive Officer of the Company.

Mr. Treppel stepped down from his position as Chief Executive Officer and was replaced by Mr. Nasrat Hakim in this position in August 2013. Mr. Treppel is currently the Chairman of the Board of Directors.

#### **Chris C. Dick**

In November 13, 2009, we entered into an employment agreement with Mr. Dick as our President and Chief Operating Officer (the "Dick Employment Agreement"). The Dick Employment Agreement is terminable at the will of either the Company or Mr. Dick, with or without notice and for any reason or no reason.

The Dick Employment Agreement provided for a base salary of \$200,000, with \$175,000 of this amount being paid in cash and \$25,000 of this amount being paid in restricted shares of the Company's Common Stock. The Common Stock component of Mr. Dick's compensation was computed on a quarterly basis, with the number of shares issued equal to the quotient of the quarterly amount due of \$6,250 divided by the average daily closing price of the Company's Common Stock for the quarter just ended.

In addition, the Dick Employment Agreement provided for 25 days of paid vacation, the right to participate in all health insurance plans maintained by the Company for its employees, a monthly auto allowance of \$700 and term life insurance in the amount of \$500,000 payable to Mr. Dick's estate.



The Dick Employment Agreement also required Mr. Dick's execution of a Proprietary Rights Agreement.

The Board of Directors of the Company increased Mr. Dick's base salary to \$205,000 retroactive to January 1, 2013. This \$5,000 increase to be paid in restricted shares of the Company's Common Stock. The Common Stock component of Mr. Dick's compensation is to be computed on a quarterly and pro-rata basis, with the number of shares issued equal to the quotient of the quarterly amount due of \$7,500 divided by the average daily closing price of the Company's Common Stock for the quarter just ended.

Mr. Dick stepped down from his employment with the Company on May 24, 2013 and accordingly, the Dick Employment Agreement was terminated. Mr. Dick continues to consult for the Company.

**Carter J. Ward**

On November 12, 2009, the Company entered into an employment agreement with Mr. Carter J. Ward (the “Ward Employment Agreement”). Pursuant to the terms of the Ward Employment Agreement, Mr. Ward continues as an at-will employee of the Company as its Chief Financial Officer. Mr. Ward receives a base salary of \$150,000, with \$125,000 of such amount being paid in accordance with the Company’s payroll practices and \$25,000 of such amount being paid by the issuance of restricted shares of Common Stock, in lieu of cash. The Common Stock component of Mr. Ward’s compensation is to be computed on a quarterly basis, with the number of shares issued equal to the quotient of the quarterly amount due of \$6,250 divided by the average daily closing price of the Company’s Common Stock for the quarter just ended.

The Board of Directors increased Mr. Ward’s base salary to \$155,000 retroactive to January 1, 2013. This \$5,000 increase to be paid by the issuance of restricted shares of Common Stock. The Common Stock component of Mr. Ward’s compensation is to be computed on a quarterly basis, with the number of shares issued equal to the quotient of the quarterly amount due of \$7,500 divided by the average daily closing price of the Company’s Common Stock for the quarter just ended.

Mr. Ward’s compensation was adjusted, effective January 1, 2014, to include a total compensation of \$180,000, consisting of \$150,000 being paid in accordance with the Company’s payroll practices and \$30,000 being paid by the issuance of restricted shares of Common Stock in lieu of cash. The Common Stock component of Mr. Ward’s compensation is to be computed on a quarterly basis, with the number of shares issued being equal to the quotient of the quarterly amount due of \$7,500, divided by the average daily closing price of the Company’s Common Stock for the quarter just ended.

**Hedging Policy**

We do not permit the Named Executive Officers to “hedge” ownership by engaging in short sales or trading in any options contracts involving securities.

**Options Exercises and Stock Vested**

No options have been exercised by our Named Executive Officers during the 2013 Fiscal Year.

### **Pension Benefits**

We do not provide pension benefits to the Named Executive Officers

### **Nonqualified Deferred Compensation**

We do not have any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

**Compensation of named executive officers****Summary Compensation Table**

Name And Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
<u>Nasrat Hakim<sup>(10)</sup></u>						
Chief Executive Officer and President	2014 <sup>(1)</sup>	232,361 <sup>(2)</sup>	145,753 <sup>(3)</sup>		12,000	<sup>(4)</sup> 390,114
	2013 <sup>(1)</sup>	—	—		—	—
<u>Jerry Treppel<sup>(8)</sup></u>						
Chairman of the Board and Chief Executive Officer	2014 <sup>(1)</sup>	—	—	—	30,000	<sup>(5)</sup> 30,000
	2013 <sup>(1)</sup>	—	—	—	30,000	<sup>(5)</sup> 30,000
<u>Chris Dick<sup>(9)</sup></u>						
President and Chief Operating Officer	2014 <sup>(1)</sup>	32,368 <sup>(6)</sup>	—	—	1,400	<sup>(4)</sup> 33,768
	2013 <sup>(1)</sup>	201,250 <sup>(6)</sup>	—	—	8,400	<sup>(4)</sup> 209,650
<u>Carter J. Ward</u>						
Chief Financial Officer Secretary and Treasurer	2014 <sup>(1)</sup>	161,250 <sup>(7)</sup>	—	—	—	161,250
	2013 <sup>(1)</sup>	151,250 <sup>(7)</sup>	—	—	—	151,250

(1) Represents the fiscal years ended March 31, 2014 (unaudited) and 2013, respectively.

Represents total salaries due to Mr. Hakim pursuant to the Hakim Employment Agreement, with all such amounts to be paid via the issuance of Common Shares in lieu of cash.

(2)

A total of 1,308,290 shares of Common Stock were issued to, and 377,930 shares of Common Stock are due and owing to Mr. Hakim for salaries earned by Mr. Hakim during the period August 2, 2013 and through March 31, 2014.

(3) Represents bonuses paid to Mr. Hakim pursuant to the Hakim Employment Agreement, with all such bonuses being paid via the issuance of Common Shares in lieu of cash.

A total of 1,308,290 shares of Common Stock were issued to Mr. Hakim for bonuses granted to Mr. Hakim during Fiscal 2014.

(4) Represents amounts paid for auto allowance.

Represents compensation due to Mr. Treppel for his service as Chairman of the Board of Directors. Mr. Treppel received no salary or additional compensation for his service as Chief Executive Officer. Compensation due to Mr. Treppel is paid via the issuance of Common Stock, pursuant to the Company's Director compensation policy.

(5)

A total of 282,376 shares of Common Stock were issued to Mr. Treppel in payment of compensation due to him for Fiscal 2013. A total of 161,856 shares of Common Stock were issued to, and 19,003 shares of Common Stock are due and owing to, Mr. Treppel in payment of compensation due to him for Fiscal 2014.

- Represents total salaries due to Mr. Dick pursuant to the Dick Employment Agreement, consisting of an annual salary of \$175,000 being paid in cash as salary in accordance with the Company's payroll practices and \$25,000 annually being paid via the issuance of Common Shares in lieu of cash up to December 31, 2012, and \$30,000 annually being paid via the issuance of Common Shares in lieu of cash subsequent to December 31, 2012. The cash and stock components of Mr. Dick's compensation were both earned on an equal, incremental basis throughout the year. Mr. Dick resigned from his position with the Company and terminated the Dick Employment Agreement, effective May 24, 2013. Accordingly, the cash and stock compensation earned by Mr. Dick during
- (6) Fiscal 2014, consists solely of earnings during the period commencing on April 1, 2014 and ending with Mr. Dick's resignation on May 24, 2013.

A total of 247,079 shares of Common Stock were issued to Mr. Dick in payment of the stock payment component of compensation earned during Fiscal 2013. A total of 32,452 shares of Common Stock were issued to Mr. Dick in payment of the stock payment component of compensation earned during Fiscal 2014.

- Represents total salaries due to Mr. Ward pursuant to the Ward Employment Agreement. Of the total salary amount earned during Fiscal 2013, \$125,000 was paid in cash as salary in accordance with the Company's payroll practices, and \$25,000 is to be paid annually via the issuance of Common Shares in lieu of cash up to December 31, 2012 and \$30,000 is to be paid annually via the issuance of Common Shares subsequent to December 31, 2012. The cash component of Mr. Ward's salary was raised to \$150,000 annually, effective as of January 1, 2014.
- (7)

A total of 247,079 shares of Common Stock were issued to Mr. Ward in payment of the stock payment component of compensation earned during Fiscal 2013. A total of 161,856 shares of Common Stock were issued to, and 19,003 shares of Common Stock are due and owing to, Mr. Ward in payment of compensation due to him for Fiscal 2014.

- (8) Mr. Treppel stepped down from his position as Chief Executive Officer in August 2013 and is currently the Chairman of the Board of Directors.
- (9) Mr. Dick stepped down from his position as President and Chief Operating Officer in May 2013.
- (10) Mr. Hakim was appointed as the Company's Chief Executive Officer on August 2, 2013.

**Outstanding Equity Awards at March 31, 2014 (unaudited)**

Name	Number of securities underlying unexercised options Exercisable (#)	Number of securities underlying unexercised options Unexercisable (#)	Equity Incentive Plan Awards: Number of securities underlying unexercised unearned options (#)	Options Exercise Price (\$)	Option Expiration Date
Carter Ward	200,000 (1)	—	—	0.10	1/17/2020
Carter Ward	50,000	—	100,000 (2)	0.12	6/19/2022

(1) Total of 200,000 options granted with such options vesting in annual increments on January 18, 2011, 2012 and 2013, with each increment equal to one-third of the total options granted.

(2) Total of 150,000 options granted with such options vesting in annual increments on June 19, 2013, 2014 and 2015, with each increment equal to one-third of the total options granted.

**DIRECTOR COMPENSATION**

The following table sets forth information concerning director compensation for the year ended March 31, 2014 (unaudited):

Name	Fees Earned or Paid In Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation (\$)	All Other Compensation (\$)	Total (\$)
Barry Dash	—	20,000 (1)	—	—	—	—	20,000
Ashok Nigalaye	—	20,000 (1)	—	—	—	—	20,000
Jeenarine Narine	—	20,000 (1)	—	—	—	—	20,000

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Jeffrey Whitnell	—	20,000 (1)	—	—	—	—	20,000
Jerry Treppel	—	30,000 (2)	—	—	—	—	30,000



Represents directors fees earned during the fiscal year ended March 31, 2014, with such fees being paid via the issuance of shares of Common Stock, pursuant to the Company's policy regarding payment of Director's fees.

(1)

A total of 107,904 shares of Common Stock were issued to, and 12,669 shares of Common Stock are due and owing to each Director in payment of Director's fees earned during the fiscal year ended March 31, 2014.

Represents the Chairman's fee due to Mr. Treppel for his service as Chairman of the Board of Directors. A total of 161,856 shares of Common Stock were issued to, and 19,003 shares of Common Stock are due and owing to, Mr. Treppel in payment of Chairman's fees earned during the fiscal year ended March 31, 2014.

(2)

Please note that Mr. Treppel also served as Chief Executive Officer up to August 2, 2013, and is accordingly also included in the above schedule disclosing the compensation of named executive officers. Mr. Treppel, however, received no additional salary or additional compensation above the Chairman's fee, for his service as Chief Executive Officer. Accordingly, the amounts listed in this table represent the same payments listed in the above table related to the compensation of named executive officers.

### **Director Fee Compensation**

The Company's policy regarding director fees is as follows: (i) Directors who are employees or consultants of the Company (and/or any of its subsidiaries), except for Mr. Jerry Treppel, Chief Executive Officer and Dr. Ashok Nigalaye, Chief Scientific Officer, receive no additional remuneration for serving as directors or members of committees of the Board; (ii) all Directors are entitled to reimbursement for out-of-pocket expenses incurred by them in connection with their attendance at the Board or committee meetings; (iii) Directors who are not employees or consultants of the Company (and/or any of its subsidiaries) receive \$20,000 annual retainer fee, payable on a quarterly basis, in arrears for their service on the Board and all committees; (iv) The Chairman of the Board receives a \$30,000 annual retainer fee, payable on a quarterly basis, in arrears, for his/her service as Chairman of the Board of Directors; (v) Directors and the Chairman do not receive any additional compensation for attendance at or chairing of any meetings. (vi) Mr. Jerry Treppel receives no additional compensation, above the annual retainer fee due to the Chairman of the Board, for his services as Chief Executive Officer (vii) Dr. Ashok Nigalaye receives no additional compensation, above the annual retainer fee due to Directors, for his services as Chief Scientific Officer. (viii) All Director and Chairman fees are paid via the issuance of Common Stock of the Company, in lieu of cash, as described below.

### **Director Equity Compensation**

Members of the Board of Directors and the Chairman are paid their annual retainer fees via the issuance of restricted shares of Common Stock of the Company, in lieu of cash. The number of shares to be issued to each Director and the

Chairman is equal to the quotient of the quarterly amount due to each Director and the Chairman, respectively, divided by the average daily closing price of the Company's stock for the quarter just ended.

Members of the Board of Directors during the fiscal years ended March 31, 2014 and March 31, 2013 did not receive any options or equity compensation for serving as directors other than shares of Common Stock earned in lieu of cash in relation to Director and Chairman fees due.

## Other

The Company's Articles of Incorporation provide for the indemnification of each of the Company's directors to the fullest extent permitted under Nevada General Corporation Law.

## ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information, as of June 20, 2014 (except as otherwise indicated), regarding beneficial ownership of our Common Stock and our Series I Preferred Stock by (i) each person who is known by us to own beneficially more than 5% of each such class, (ii) each of our directors, (iii) each of our executive officers and (iv) all our directors and executive officers as a group. As of June 20, 2014, we had 568,042,063 shares of Common Stock outstanding (exclusive of 100,000 treasury shares) and 104.242 shares of Series I Preferred Stock outstanding. On any matter presented to the holders of our Common Stock for their action or consideration at any meeting of our Shareholders, each share of Common Stock entitles the holder to one vote and each share of Series I Preferred Stock entitles the holder to the number of votes equal to the number of shares of Common Stock into which such share of Series I Preferred Stock is convertible (1,428,571.4 per whole share).

As used in the table below and elsewhere in this report, the term beneficial ownership with respect to a security consists of sole or shared voting power, including the power to vote or direct the vote, and/or sole or shared investment power, including the power to dispose or direct the disposition, with respect to the security through any contract, arrangement, understanding, relationship, or otherwise, including a right to acquire such power(s) during the 60 days immediately following June 20, 2014. Except as otherwise indicated, the Shareholders listed in the table have sole voting and investment powers with respect to the shares indicated.

Name and Address Of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership		Percent (%) of Voting
	Common Stock	Series I Preferred Stock	Securities Beneficially Owned

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Nasrat Hakim, President Chief Executive Officer and Director*	14,107,249	(1)	100.000	22	%
Barry Dash, Director*	1,168,217	(2)	0	**	
Jerry Treppel, Chairman of the Board *	3,240,253	(3)	4.242	1	%
Ashok G. Nigalaye, Chief Scientific Officer and Director*	160,906,315	(4)(5)	0	12	%
Jeenarine Narine, Director *	151,141,481	(4)(6)	0	10	%
Jeffrey Whitnell, Director *	999,862	(7)	0	**	
Carter J. Ward, Chief Financial Officer *	3,180,958	(8)	0	**	
Epic Investments LLC 227-15 North Conduit Ave. Laurelton, NY 11413	140,850,897	(4)	0	10	%
All Directors and Officers as a group	193,893,440	(9)	104.242	36	%

\* The address is c/o Elite Pharmaceuticals Inc., 165 Ludlow Avenue, Northvale, NJ 07647.

\*\* Less than 1%

(1) Includes 13,714,141 shares of Common Stock, and 786,216 shares of Common Stock accrued (but not issued) and owed to Mr. Hakim as of June 30, 2014, pursuant to his employment agreement with the Company.

(2) Includes 1,025,754 shares of Common Stock, options to purchase 120,000 shares of Common Stock and 22,463 shares of Common Stock for Board of Directors fees accrued (but not issued) and owed to Dr. Dash as of June 30, 2014.

(3) Includes 3,206,558 shares of Common Stock and 33,695 shares of Common Stock for Chairman of the Board Directors fees accrued (but not issued) and owed to Mr. Treppel as of June 30, 2014.

Includes 67,669,232 shares of Common Stock and warrants to purchase 73,181,665 shares of Common Stock held by Epic Investments, LLC. Messrs. Nigalaye and Narine are executive officers and equity owners of Epic Pharma, LLC and Epic Investments, LLC. Epic Pharma, LLC is an equity owner of Epic Investments, LLC. Epic Pharma (4) LLC and Messrs. Nigalaye and Narine share voting and investment control over, and are indirect beneficial owners of, the shares. The interest of Epic Pharma LLC and Messrs. Nigalaye, Narine and Potti in the shares is limited, and each disclaims beneficial ownership of such shares except to the extent of his pecuniary interest in Epic Investments, LLC.

(5) Includes 14,275,289 shares of Common Stock, warrants to purchase 5,757,666 shares of Common Stock, and 22,463 shares of Common Stock for Board of Directors fees accrued (but not issued) and owed to Dr. Nigalaye as of June 30, 2014.

Includes 5,510,455 shares of Common Stock, warrants to purchase 4,757,666 shares of Common Stock, and 22,463 shares of Common Stock for Board of Directors fees accrued (but not issued) and owed to Mr. Narine as of June (6) 30, 2014.

(7) Includes 977,399 shares of common stock and 22,463 shares of Common Stock for Board of Directors fees accrued (but not issued) and owed to Mr. Whitnell as of June 30, 2014.

Includes 2,230,596 shares of Common Stock, options to purchase 250,000 shares of Common Stock, warrants to (8) purchase 666,667 shares of Common Stock and 33,695 shares of Common Stock accrued (but not issued) and owed to Mr. Ward as of June 30, 2014 pursuant to his employment agreement with the Company.

Includes 108,609,424 shares of Common Stock, warrants to purchase 84,363,664 shares of Common Stock, options to purchase 370,000 shares of Common Stock and 550,352 shares of Common Stock accrued (but not issued) and (9) owing as of June 30, 2014 for payment of Chairman's Fees, Directors Fees in accordance with the Company's policy regarding compensation of the Chairman and Director, and for payment of salaries pursuant to applicable employment agreements for the Company's Chief Executive Officer and Chief Financial Officer.

## **ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

### **Certain Related Person Transactions**

#### ***Transactions with Nasrat Hakim***

On August 1, 2013, Elite Laboratories Inc. ("Elite Labs"), our wholly owned subsidiary, executed an asset purchase agreement (the "Mikah Purchase Agreement") with Mikah Pharma LLC ("Mikah"), an entity that is wholly owned by Mr. Nasrat Hakim, who, in conjunction with this transaction, was appointed as our Chief Executive Officer, President and a Director on August 2, 2012, and acquired from Mikah a total of 13 Abbreviated New Drug Applications ("ANDAs") consisting of 12 ANDAs approved by the FDA and one ANDA under active review with the FDA, and all amendments thereto (the "Acquisition") for aggregate consideration of \$10,000,000, inclusive of imputed interest payable pursuant to a non-interest bearing, secured convertible note due in August 2016 (the "Mikah Note"). The Mikah Note was amended on February 7, 2014 to make it convertible into shares of the Company's Series I Convertible Preferred Stock.

The Mikah Note, as amended, was interest free and due and payable on the third anniversary of its issuance. Subject to certain limitations, the principal amount of the Mikah Note was convertible at the option of Mikah into shares of Common Stock at a rate of \$0.07 (approximately 14,286 shares per \$1,000 in principal amount), the closing market price of the Company's Common Stock on the date that the asset purchase agreement and Note were executed and/or into shares of the Company's Series I Convertible Preferred Stock at the rate of 1 share of Series I Preferred Stock for each \$100,000 of principal owed on the Mikah Note. The conversion rate was adjustable for customary corporate actions such as stock splits and, subject to certain exclusions, includes weighted average anti-dilution for common stock transactions at prices below the then applicable conversion rate. Pursuant to a security agreement (the "Security Agreement"), repayment of the Mikah Note was secured by the ANDAs acquired in the Acquisition.

On February 7, 2014, Mikah converted the principal amount of \$10,000,000, representing the entire principal balance due under the Mikah Note, into 100 shares of the Company's Series I Preferred Stock.

On October 15, 2013, Elite entered into a bridge loan agreement (the "Hakim Credit Line Agreement") with Mr. Hakim. Under the terms of the Hakim Credit Line Agreement, Elite has the right, in its sole discretion to a line of credit (the "Hakim Credit Line") in the maximum principal amount of up to \$1,000,000 at any one time. Mr. Hakim provided the Hakim Credit Line for the purpose of supporting the acceleration of Elite's product development activities. The outstanding amount is evidenced by a promissory note which shall mature on June 30, 2015, at which time the entire unpaid principal balance, plus accrued interest thereon shall be due and payable in full. Elite may prepay any amounts owed without penalty. Any such prepayments shall first be applied to interest due and owing and then to principal. Interest only shall be payable quarterly on July 1, October 1, January 1 and April 1 of each year. Prior to maturity or the occurrence of an Event of Default as defined in the Hakim Credit Line Agreement, the Company may borrow, repay and reborrow under the Hakim Credit Line through maturity. Amounts borrowed under the Hakim Credit Line bear interest at the rate of ten percent (10%) per annum.

On August 27, 2010, Elite executed an asset purchase with Mikah (the “Naltrexone Agreement”). Pursuant to the Naltrexone Agreement, Elite acquired from Mikah the Abbreviated New Drug Application number 75-274 (Naltrexone Hydrochloride Tablets USP, 50 mg), and all amendments thereto (the “ANDA”), that have to date been filed with the FDA seeking authorization and approval to manufacture, package, ship and sell the products described in the ANDA within the United States and its territories (including Puerto Rico) for aggregate consideration of \$200,000. In lieu of cash, Mikah agreed to accept from Elite product development services to be performed by Elite. A current report on form 8-K was filed on August 27, 2010 in relation to this announcement, such filing being incorporated herein by this reference. Please also refer to exhibit 10.5 of the Quarterly Report on Form 10-Q filed with SEC on November 15, 2010, such filing being incorporated herein by this reference.

The manufacturing of Naltrexone 50mg was successfully transferred to the Company’s Northvale facility, and the first commercial shipment of this product was made in September 2013.

As of March 31, 2014, the product development services referenced in the Naltrexone Agreement have not been completed and the \$200,000 owed to Mikah was accrued as a liability as of March 31, 2014.

During Fiscal 2014, the Company purchased from Mikah Pharma, active pharmaceutical ingredients used by the Company in its current commercial manufacturing operations, at Mikah’s cost, without markup. Such purchases totaled \$75,600, with the funds being provided by Nasrat Hakim and included as draws against the Hakim Credit Line.

During Fiscal 2014, the Company purchased from Mikah Pharma, manufacturing equipment used by the Company in its current commercial manufacturing operations and product development activities at Mikah’s cost, without markup. Such equipment purchases totaled \$110,000, with the funds being provided by Nasrat Hakim and included as draws against the Hakim Credit Line.

For information about our employment agreement with Mr. Hakim, please see “Executive Compensation-Agreements with Named Executive Officers” above.

### ***Transactions with Jerry Treppel***

On June 12, 2012 (the “Effective Date”), we entered into a bridge loan agreement (the “Loan Agreement”) with Jerry Treppel, our Chairman and CEO. Under the terms of the Loan Agreement, we have the right, in our sole discretion, to a line of credit (the “Credit Line”) in the maximum principal amount of up to \$500,000 at any one time. By amendment, the maximum principal amount was increased to \$1,000,000 in December 2012. Mr. Treppel provided the Credit Line



for the purpose of supporting the acceleration of our product development activities. The outstanding amount will be evidenced by a promissory note which shall mature on the earlier of (i) such date as we raise at least \$2,000,000 in gross proceeds from the sale of any of our equity securities or (ii) July 31, 2013, at which time the entire unpaid principal balance plus accrued interest thereon shall be due and payable in full. We may prepay any amounts owed without penalty. Any such prepayments shall first be attributable to interest due and owing and then to principal. Interest only shall be payable quarterly on July 1, October 1, January 1 and April 1 of each year. Prior to maturity or the occurrence of an Event of Default as defined in the Loan Agreement, we may borrow, repay, and reborrow under the Credit Line through maturity. Amounts borrowed under the Credit Line will bear interest at the rate of ten percent (10%) per annum. As of March 31, 2013, the principal balance owed under the Credit Line was \$600,000 with an additional \$13,151 in accrued interest also owed, in accordance with the terms and conditions of the Credit Line.

On November 21, 2013, Mr. Treppel converted the \$600,000 unpaid balance into an unsecured convertible note (the “Treppel Note”). The Treppel Note was amended on February 7, 2014 to make it convertible into shares of the Company’s Series I Preferred Stock. The Treppel Note, as amended, was interest free and due and payable on the third anniversary of its issuance. Subject to certain limitations, the principal amount of the Note was convertible at the option of Treppel on and after the first anniversary of the date of the Note into shares of the Company’s Common Stock at a rate of \$0.099 (approximately 10,101 shares per \$1,000 in principal amount), the closing market price of the Company’s Common Stock on the date that the Note was executed, and/or into shares of the Company’s Series I Preferred Stock at a rate of 1 share of Series I Preferred Stock for each \$141,442.7157 of principal owed on the Treppel Note. The conversion rate was adjustable for customary corporate actions such as stock splits and, subject to certain exclusions, includes weighted average anti-dilution for common stock transactions at prices below the then applicable conversion rate.

On February 7, 2014, Treppel converted the principal amount of \$600,000, representing the entire principal balance due under the Treppel Note into 4.242 shares of the Company’s Series I Preferred Stock.

For information about our employment agreement with Mr. Treppel, please see “Executive Compensation-Agreements with Named Executive Officers” above.

*Transactions with Epic Pharma LLC and Epic Investments LLC*

On March 18, 2009, the Company entered into the Epic Strategic Alliance Agreement with Epic Pharma, LLC and Epic Investments, LLC, a subsidiary controlled by Epic Pharma LLC. Ashok G. Nigalaye, Jeenarine Narine and Ram Potti, each were elected as members of our Board of Directors, effective June 24, 2009, as the three directors that Epic is entitled to designate for appointment to the Board pursuant to the terms of the Epic Strategic Alliance Agreement. Messrs. Nigalaye, Narine and Potti are also officers of Epic Pharma, LLC, in the following capacities:

- Mr. Nigalaye, Chairman and Chief Executive Officer of Epic Pharma, LLC;
- Mr. Narine, President and Chief Operating Officer of Epic Pharma, LLC;
- Mr. Potti, Vice President of Epic Pharma, LLC.

The Strategic Alliance Agreement expired on June 4, 2012.

On December 31, 2012, Mr. Potti resigned as a Director of the Company. His seat on the Board of Directors was not filled.

As part of the operation of the strategic alliance, the Company and Epic identified areas of synergy, including, without limitation, raw materials used by both entities, equipment purchases, contract manufacturing/packaging and various regulatory and operational resources existing at Epic that could be utilized by the Company.

With regards to synergies related to raw materials usage, the strategic alliance allowed the Company to purchase such raw materials from Epic, at the Epic acquisition cost, without markup. In all cases, the acquisition cost of Epic was lower than those costs available to the Company, mainly as a result of efficiencies of scale generated by significantly larger volumes purchased by Epic during the course of their normal operations. During the fiscal years ended March 31, 2013 and March 31, 2012, an aggregate amount of \$71,480 and \$15,552, respectively, in such materials was purchased from Epic Pharma LLC. All purchases were at Epic Pharma's acquisition cost, without markup and evidenced by supporting documents of Epic Pharma LLC's acquisition cost.

With regards to synergies related to regulatory and operational resources, the strategic alliance allowed the Company to utilize Epic's substantial resources and technical competencies on an "as needed" basis at a cost equal to Epic's actual cost for only the resources utilized by the Company. Without such access to Epic's resources, the Company would have to invest significant amounts in human resources and fixed assets as well as incur substantial costs with third party providers to provide the same resources provided by Epic and necessary for the operations of the Company.

During the fiscal years ended March 31, 2013 and March 31, 2012, an aggregate amount of \$31,354 and \$133,003, respectively, was paid to Epic as reimbursement for costs associated with facility maintenance, engineering and regulatory resources utilized by the Company.

During the fiscal years ended March 31, 2013 and March 31, 2012, the Company incurred a total of \$362,347 and \$275,768, respectively in contract manufacturing and/or packaging costs for the Company's Phentermine, Hydromorphone, Methadone and Immediate Release Lodrane products.

During the fiscal years ended March 31, 2013 and 2012, equipment purchases from Epic totaled \$-0- and \$52,000, respectively.

Total purchases from Epic by the Company during the fiscal years ended March 31, 2013 and 2012 were \$465,181 and \$476,323, respectively.

On October 2, 2013, we executed a Manufacturing and License Agreement ("M&L Agreement") with Epic Pharma LLC. ("Epic"), to manufacture, market and sell in the United States and Puerto Rico 12 generic products owned by Elite. Of the 12 products, Epic will have the exclusive right to market six products as listed in Schedule A of the M&L Agreement, and a non-exclusive right to market six products as listed in Schedule D of the M&L Agreement. Epic is responsible for all regulatory and pharmacovigilance matters related to the products and for all costs related to the site transfer for all products. Pursuant to the M&L Agreement, Elite will receive a license fee and milestone payments. The license fee will be computed as a percentage of the gross profit, as defined in the M&L Agreement, earned by Epic as a result of sales of the products. The manufacturing cost used for the calculation of the license fee is a

predetermined amount per unit plus the cost of the drug substance (API) and the sales cost for the calculation is predetermined based on net sales. If Elite manufactures any product for sale by Epic, then Epic shall pay that same predetermined manufacturing cost per unit plus the cost of the API. The license fee is payable monthly for the term of the M&L Agreement. Epic shall pay to Elite certain milestone payments as defined by the M&L Agreement. The first milestone payment was due on or before November 15, 2013 and has been paid. Subsequent milestone payments are due upon the filing of each product's supplement with the U.S. Food and Drug Administration ("FDA") and the FDA approval of site transfer for each product as specifically itemized in the M&L Agreement. The term of the M&L Agreement is five years and may be extended for an additional five years upon mutual agreement of the parties. Twelve months following the launch of a product covered by the M&L Agreement, Elite may terminate the marketing rights for any product if the license fee paid by Epic falls below a designated amount for a six month period of that product. Elite may also terminate the exclusive marketing rights if Epic is unable to meet the annual unit volume forecast for a designated Product group for any year, subject to the ability of Epic, during the succeeding six month period, to achieve at least one-half of the prior year's minimum annual unit volume forecast. The M&L Agreement may be terminated by mutual agreement of Elite and Epic, as a result of a breach by either party that is not cured within 60 days notice of the breach or by Elite as a result of Epic becoming a party to a bankruptcy, reorganization or other insolvency proceeding that continues for a period of 30 days or more.

## Director Independence

All related person transactions are reviewed and, as appropriate, may be approved or ratified by the Board of Directors. If a Director is involved in the transaction, he or she may not participate in any review, approval or ratification of such transaction. Related person transactions are approved by the Board of Directors only if, based on all of the facts and circumstances, they are in, or not inconsistent with, our best interests and the best interests of our stockholders, as the Board of Directors determines in good faith. The Board of Directors takes into account, among other factors it deems appropriate, whether the transaction is on terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. The Board of Directors may also impose such conditions as it deems necessary and appropriate on us or the related person in connection with the transaction.

In the case of a transaction presented to the Board of Directors for ratification, the Board of Directors may ratify the transaction or determine whether rescission of the transaction is appropriate.

## ITEM 14            PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company's independent registered public accounting firm is Demetrius Berkower LLC ("*Demetrius*").

The following table presents fees, including reimbursements for expenses, for professional audit services rendered by Demetrius for the audits of our financial statements and interim reviews of our quarterly financial statements for Fiscal 2014 and Fiscal 2013.

	Fiscal 2014	Fiscal 2013
Audit Fees	81,150	76,250
Audit-Related Fees	6,400	3,000
Tax Fees	—	—
All Other Fees	1,150	475

### Audit Fees

Represents fees for professional services provided for the audit of our annual financial statements, services that are performed to comply with generally accepted auditing standards, and review of our financial statements included in our quarterly reports and services in connection with statutory and regulatory filings.

### **Audit-Related Fees**

Represents the fees for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements.

The Audit Committee has determined that Demetrius' rendering of these audit-related services was compatible with maintaining auditor's independence. The Board of Directors considered Demetrius to be well qualified to serve as our independent public accountants. The Committee also pre-approved the charges for services performed in Fiscal 2014 and 2013.

The Audit Committee pre-approves all auditing services and the terms thereof (which may include providing comfort letters in connection with securities underwriting) and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to us by the independent auditor; provided, however, the pre-approval requirement is waived with respect to the provisions of non-audit services for us if the "de minimus" provisions of Section 10A (i)(1)(B) of the Exchange Act are satisfied. This authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who shall present all decisions to pre-approve an activity to the full Audit Committee at its first meeting following such decision.



## PART IV

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES.**

(a) The following are filed as part of this Annual Report on Form 10-K

- (1) The financial statements and schedules required to be filed by Item 8 of this Annual Report on Form 10-K and listed in the Index to Consolidated Financial Statements.
- (2) The Exhibits required by Item 601 of Regulation S-K and listed below in the “Index to Exhibits required by Item 601 of Regulation S-K.”

(b) The Exhibits are filed with or incorporated by reference in this Annual Report on Form 10-K

(c) None

#### **Index to Exhibits required by Item 601 of Regulation S-K.**

Exhibit

Description

No.

- |        |  |
|--------|--|
| 2.1    | Agreement and Plan of Merger between Elite Pharmaceuticals, Inc., a Delaware corporation (“Elite-Delaware”) and Elite Pharmaceuticals, Inc., a Nevada corporation (“Elite-Nevada”), incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on January 9, 2012.  |
| 3.1(a) | Articles of Incorporation of Elite-Nevada, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on January 9, 2012.   |
| 3.1(b) | Certificate of Incorporation of Elite-Delaware, together with all other amendments thereto, as filed with the Secretary of State of the State of Delaware, incorporated by reference to (a) Exhibit 4.1 to the Registration Statement on Form S-4 (Reg. No. 333-101686), filed with the SEC on December 6, 2002 (the “Form S-4”), (b) Exhibit 3.1 to the Company’s Current Report on Form 8-K dated July 28, 2004 and filed with the SEC on July 29, 2004, (c) Exhibit 3.1 to the Company’s Current Report on Form 8-K dated June 26, 2008 and filed with the SEC on July 2, 2008, and (d) Exhibit 3.1 to the Company’s Current Report on Form 8-K dated December 19, 2008 and filed with the SEC on December 23, 2008.* |
| 3.1(c) | Certificate of Designations, Preferences and Rights of Series A Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 4.5 to the Current Report on Form 8-K dated October 6, 2004, and filed with the SEC on October 12, 2004.*  |
| 3.1(d) | Certificate of Retirement with the Secretary of the State of the Delaware to retire 516,558 shares of the Series A Preferred Stock, as filed with the Secretary of State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated March 10, 2006, and filed with the SEC on March 14, 2006.*  |

3.1(e) Certificate of Designations, Preferences and Rights of Series B 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated March 15, 2006, and filed with the SEC on March 16, 2006.\*

3.1(f) Amended Certificate of Designations of Preferences, Rights and Limitations of Series B 8% Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated April 24, 2007, and filed with the SEC on April 25, 2007.\*

- 3.1(g) Certificate of Designations, Preferences and Rights of Series C 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K dated April 24, 2007, and filed with the SEC on April 25, 2007.\*
- 3.1(h) Amended Certificate of Designations, Preferences and Rights of Series C 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated April 24, 2007, and filed with the SEC on April 25, 2007.\*
- 3.1(i) Amended Certificate of Designations of Preferences, Rights and Limitations of Series B 8% Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated September 15, 2008, and filed with the SEC on September 16, 2008.\*
- 3.1(j) Amended Certificate of Designations, Preferences and Rights of Series C 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K dated September 15, 2008, and filed with the SEC on September 16, 2008.\*
- 3.1(k) Amended Certificate of Designations of Preferences, Rights and Limitations of Series D 8% Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K dated September 15, 2008, and filed with the SEC on September 16, 2008.\*
- 3.1(l) Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated June 1, 2009, and filed with the SEC on June 5, 2009.\*
- 3.1(m) Amended Certificate of Designations of the Series D 8% Convertible Preferred Stock as filed with the Secretary of State of the State of Delaware on June 29, 2010, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, dated June 24, 2010 and filed with the SEC on July 1, 2010.\*
- 3.1(n) Amended Certificate of Designations of the Series E Convertible Preferred Stock as filed with the Secretary of State of the State of Delaware on June 29, 2010, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, dated June 24, 2010 and filed with the SEC on July 1, 2010.\*
- 3.1(o) Certificate of Designations of the Series G Convertible Preferred Stock as filed with the Secretary of State of the State of Nevada on April 18, 2013, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated April 18, 2013 and filed with the SEC on April 22, 2013 .
- 3.1(p) Certificate of Designation of the Series H Junior Participating Preferred Stock, incorporated by reference to Exhibit 2 (contained in Exhibit 1) to the Registration Statement on Form 8-A filed with the SEC on November 15, 2013.
- 3.1(q) Certificate of Designations of the Series I Convertible Preferred Stock as filed with the Secretary of State of the State of Nevada on February 6, 2014, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, dated February 6, 2014 and filed with the SEC on February 7, 2014
- 3.2(a) Amended and Restated By-Laws of the Company, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated March 17, 2014 and filed with the SEC on March 18, 2014.

By-Laws of Elite-Delaware, as amended, incorporated by reference to Exhibit 3.2 to the Company's  
3.2(b) Registration Statement on Form SB-2 (Reg. No. 333-90633) made effective on February 28, 2000 (the "Form  
SB-2").\*

- 4.1 Form of specimen certificate for Common Stock of the Company, incorporated by reference to Exhibit 4.1 to the Form SB-2.\*
  
- 4.2 Form of specimen certificate for Series B 8% Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.\*
  
- 4.3 Form of specimen certificate for Series C 8% Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.\*
  
- 4.4 Form of Warrant to purchase shares of Common Stock issued to purchasers in the private placement which closed on March 15, 2006 (the "Series B Financing"), incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.\*
  
- 4.5 Form of Warrant to purchase shares of Common Stock issued to purchasers in the Series B Financing, incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.\*
  
- 4.6 Form of Warrant to purchase shares of Common Stock issued to the Placement Agent, in connection with the Series B Financing, incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.\*
  
- 4.7 Form of Warrant to purchase 600,000 shares of Common Stock issued to Indigo Ventures, LLC, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated July 12, 2006 and filed with the SEC on July 18, 2006.\*
  
- 4.8 Form of Warrant to purchase up to 478,698 shares of Common Stock issued to VGS PHARMA, LLC, incorporated by reference as Exhibit 3(a) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.\*
  
- 4.9 Form of Non-Qualified Stock Option Agreement for 1,750,000 shares of Common Stock granted to Veerappan Subramanian, incorporated by reference as Exhibit 3(b) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.\*
  
- 4.10 Form of Warrant to purchase shares of Common Stock issued to purchasers in the private placement which closed on April 24, 2007 (the "Series C Financing"), incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.\*
  
- 4.11 Form of Warrant to purchase shares of Common Stock issued to the placement agent in the Series C Financing, incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.\*
  
- 4.12 Form of specimen certificate for Series D 8% Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.\*
  
- 4.13

Form of Warrant to purchase shares of Common Stock issued to purchasers in the private placement which closed on September 15, 2008 (the “Series D Financing”), incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.\*

4.14 Form of Warrant to purchase shares of Common Stock issued to the placement agent in the Series D Financing, incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.\*

4.15 Form of specimen certificate for Series E Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated June 1, 2009, and filed with the SEC on June 5, 2009.\*

4.16 Warrant to purchase shares of Common Stock issued to Epic Investments, LLC in the initial closing of the Strategic Alliance Agreement, dated as of March 18, 2009, by and among the Company, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated June 1, 2009, and filed with the SEC on June 5, 2009.\*

4.17 Form of specimen certificate for Series G Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated April 18, 2013 and filed with the SEC on April 22, 2013.

4.18 Form of specimen certificate for Series I Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated February 6, 2014 and filed with the SEC on February 7, 2014.

4.19 Rights Agreement, dated as of November 15, 2013, between the Company and American Stock Transfer & Trust Company, LLC., incorporated by reference to Exhibit 1 to the Registration Statement on Form 8-A filed with the SEC on November 15, 2013.

4.20 Form of Series H Preferred Stock Certificate, incorporated by reference to Exhibit 1 to the Registration Statement on Form 8-A filed with the SEC on November 15, 2013.

10.1 Elite Pharmaceuticals, Inc. 2014 Equity Incentive Plan, incorporated by reference to Appendix B to the Company's Definitive Proxy Statement for its Annual Meeting of Shareholders, filed with the SEC on April 3, 2014.

10.2 Form of Confidentiality Agreement (corporate), incorporated by reference to Exhibit 10.7 to the Form SB-2.

10.3 Form of Confidentiality Agreement (employee), incorporated by reference to Exhibit 10.8 to the Form SB-2.

10.4 Product Development and Commercialization Agreement, dated as of June 21, 2005, between the Company and IntelliPharmaceutics Corp., incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated June 21, 2005 and originally filed with the SEC on June 27, 2005, as amended on the Current Report on Form 8-K/A filed September 7, 2005, as further amended by the Current Report on Form 8-K/A filed December 7, 2005 (Confidential Treatment granted with respect to portions of the Agreement).

10.5 Agreement, dated December 12, 2005, by and among the Company, Elite Labs, and IntelliPharmaceutics Corp., incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated December 12, 2005, and originally filed with the SEC on December 16, 2005, as amended by the Current Report on Form 8-K/A filed March 7, 2006 (Confidential Treatment granted with respect to portions of the Agreement).





- 10.6 Loan Agreement, dated as of August 15, 2005, between New Jersey Economic Development Authority (“NJEDA”) and the Company, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.
- 10.7 Series A Note in the aggregate principal amount of \$3,660,000.00 payable to the order of the NJEDA, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.
- 10.8 Series B Note in the aggregate principal amount of \$495,000.00 payable to the order of the NJEDA, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.
- 10.9 Mortgage from the Company to the NJEDA, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.
- 10.10 Indenture between NJEDA and the Bank of New York as Trustee, dated as of August 15, 2005, incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.
- 10.11 Form of Securities Purchase Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.
- 10.12 Form of Registration Rights Agreement, between the Registrant and signatories thereto, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.
- 10.13 Form of Placement Agent Agreement, between the Registrant and Indigo Securities, LLC, incorporated by reference as Exhibit 10.3 to the Current Report on Form 8-K, dated March 15, 2006, and filed with the SEC on March 16, 2006.
- 10.14 Financial Advisory Agreement between the Registrant and Indigo Ventures LLC, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K dated July 12, 2006 and filed with the SEC on July 18, 2006.
- 10.15 Product Collaboration Agreement between the Registrant and ThePharmaNetwork LLC, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated November 10, 2006 and filed with the SEC on November 15, 2006. (Confidential Treatment granted with respect to portions of the Agreement).
- 10.16 Strategic Alliance Agreement among the Registrant, VGS Pharma (“VGS”) and Veerappan S. Subramanian (“VS”), incorporated by reference as Exhibit 10(a) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.
- 10.17 Advisory Agreement, between the Registrant and VS, incorporated by reference as Exhibit 10(b) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.
- 10.18 Registration Rights Agreement between the Registrant, VGS and VS, incorporated by reference as Exhibit 10(c) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12,

2006.

Employment Agreement between Novel Laboratories Inc. (“Novel”) and VS, incorporated by reference as Exhibit 10.19 10(d) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.

79

- 10.20 Stockholders' Agreement between Registrant, VGS, VS and Novel, incorporated by reference as Exhibit 10(e) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.
- 10.21 Form of Securities Purchase Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.
- 10.22 Form of Registration Rights Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.
- 10.23 Form of Placement Agent Agreement, between the Company and Oppenheimer & Company, Inc., incorporated by reference as Exhibit 10.3 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.
- 10.24 Form of Securities Purchase Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated July 17, 2007 and filed with the SEC on July 23, 2007.
- 10.25 Form of Registration Rights Agreement, between the Registrant and the signatories thereto, incorporated by reference as Exhibit 10.2 to the Current Report on Form 8-K, dated July 17, 2007 and filed with the SEC on July 23, 2007.
- 10.26 Consulting Agreement, dated as of July 27, 2007, between the Registrant and Willstar Consultants, Inc., incorporated by reference as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ending September 30, 2007 and filed with the SEC on November 14, 2007.
- 10.27 Form of Securities Purchase Agreement, between the Company and the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.
- 10.28 Form of Placement Agent Agreement, between the Company, ROTH Capital Partners, LLC and Boenning & Scattergood, Inc., incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.
- 10.29 Separation Agreement and General Release of Claims, dated as of October 20, 2008, by and between the Company and Stuart Apfel, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated October 15, 2008 and filed with the SEC on October 21, 2008.
- 10.30 Consulting Agreement, dated as of October 20, 2008, by and between the Company and Paralex Clinical Research, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated October 15, 2008 and filed with the SEC on October 21, 2008.
- 10.31 Separation Agreement and General Release of Claims, dated as of November 3, 2008, by and between the Company and Charan Behl, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated October 28, 2008 and filed with the SEC on November 3, 2008.
- 10.32

Consulting Agreement, dated as of November 3, 2008, by and between the Company and Charan Behl, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated October 28, 2008 and filed with the SEC on November 3, 2008.

10.33 Separation Agreement and General Release of Claims, dated as of November 5, 2008, by and between the Company and Bernard J. Berk, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated November 6, 2008 and filed with the SEC on November 6, 2008.

- 10.34 Compensation Agreement, dated as of December 1, 2008, by and between the Company and Jerry I. Treppel, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated December 1, 2008 and filed with the SEC on December 4, 2008.
- 10.35 Strategic Alliance Agreement, dated as of March 18, 2009, by and among the Company, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated March 18, 2009 and filed with the SEC on March 23, 2009.
- 10.36 Amendment to Strategic Alliance Agreement, dated as of April 30, 2009, by and among the Company, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated April 30, 2009 and filed with the SEC on May 6, 2009.
- 10.37 Second Amendment to Strategic Alliance Agreement, dated as of June 1, 2009, by and among the Company, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated June 1, 2009, and filed with the SEC on June 5, 2009.
- 10.38 Third Amendment to Strategic Alliance Agreement, dated as of Aug 18, 2009, by and among the Company, Epic Pharma LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q, for the period ending June 30, 2009 and filed with the SEC on August 19, 2009.
- 10.39 Employment Agreement, dated as of November 13, 2009, by and between the Company and Chris Dick, , incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, for the period ending September 30, 2009 and filed with the SEC on November 16, 2009.
- 10.40 Employment Agreement, dated as of November 13, 2009, by and between the Company and Carter J. Ward, incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, for the period ending September 30, 2009 and filed with the SEC on November 16, 2009.
- 10.41 Elite Pharmaceuticals Inc. 2009 Equity Incentive Plan, as adopted November 24, 2009, incorporated by reference to Exhibit 10.1 to the Registration Statement Under the Securities Act of 1933 on Form S-8, dated December 18, 2009 and filed with the SEC on December 22, 2009.
- 10.42 Stipulation of Settlement and Release, dated as of June 25, 2010, by and among the Company, Midsummer Investment, Ltd., Bushido Capital Master Fund, LP, BCMF Trustees, LLC, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated June 25, 2010 and filed with the SEC on July 1, 2010
- 10.43 Amendment Agreement, dated as of June 25, 2010, by and among the Company, and the investors signatory thereto, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated June 25, 2010 and filed with the SEC on July 1, 2010
- 10.44 Amendment Agreement, dated as of June 2010, by and among the Company, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, dated June 25, 2010 and filed with the SEC on July 1, 2010
- 10.45 Asset Purchase Agreement dated as of May 18, 2010, by and among Mikah Pharma LLC and the Company, incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q, for the period ended September 30, 2010 and filed with the SEC on November 15, 2010.

10.46 Asset Purchase Agreement, dated as of August 27, 2010, by and among Mikah Pharma LLC and the Company, incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q, for the period ended September 30, 2010 and filed with the SEC on November 15, 2010 (Confidential Treatment granted with respect to portions of the Agreement).

81

- 10.47 Master Development and License Agreement, dated as of August 27, 2010, by and among Mikah Pharma LLC and the Company incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q, for the period ended September 30, 2010 and filed with the SEC on November 15, 2010 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.48 Purchase Agreement, dated as of September 10, 2010, by and among Epic Pharma LLC and the Company, incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q, for the period ended September 30, 2010 and filed with the SEC on November 15, 2010 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.49 License Agreement, dated as of September 10, 2010, by and among Precision Dose Inc. and the Company, incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q, for the period ended September 30, 2010 and filed with the SEC on November 15, 2010 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.50 Manufacturing and Supply Agreement, dated as of September 10, 2010, by and among Precision Dose Inc. and the Company, incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q, for the period ended September 30, 2010 and filed with the SEC on November 15, 2010 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.51 Product Development Agreement between the Company and Hi-Tech Pharmacal Co., Inc. dated as of January 4, 2011, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated January 4, 2011 and filed with the SEC on January 10, 2011 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.52 Settlement Agreement between the Company and ThePharmaNetwork, LLC, dated as of March 11, 2011, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated March 11, 2011 and filed with the SEC on March 17, 2011.
- 10.53 Manufacturing & Supply Agreement between the Company and Mikah Pharma LLC, dated as of June 1, 2011, incorporated by reference to Exhibit 10.70 to the Annual Report on Form 10-K, for the period ended March, 31, 2011 and filed with the SEC on June 29, 2011 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.54 Manufacturing & Supply Agreement between the Company and ThePharmaNetwork, LLC, dated as of June 23, 2011, incorporated by reference to Exhibit 10.71 to the Annual Report on Form 10-K, for the period ended March, 31, 2011 and filed with the SEC on June 29, 2011 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.55 Amendment, dated as of November 1, 2011, to the Master Development and License Agreement, dated as of August 27, 2010, by and amount Mikah Pharma LLC and the Company (Confidential Treatment granted with respect to portions of the Agreement), incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for three and nine months ended December 31, 2011.
- 10.56 Settlement Agreement between the Company and ThePharmaNetwork, LLC, dated as of March 11, 2011, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated March 11, 2011 and filed with the SEC on March 17, 2011.

- 10.57 Securities Purchase Agreement with Socius dated December 30, 2011, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 5, 2012.



- 10.58 Amendment to Agreement with Socius dated February 28, 2012, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K/A filed with the SEC February 29, 2012.
- 10.59 Manufacturing & Supply Agreement between the Company and Mikah Pharma LLC, dated as of June 1, 2011, incorporated by reference to Exhibit 10.70 to the Annual Report on Form 10-K, for the period ended March, 31, 2011 and filed with the SEC on June 29, 2011 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.60 Manufacturing & Supply Agreement between the Company and ThePharmaNetwork, LLC, dated as of June 23, 2011, incorporated by reference to Exhibit 10.71 to the Annual Report on Form 10-K, for the period ended March, 31, 2011 and filed with the SEC on June 29, 2011 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.61 Amendment, dated as of November 1, 2011, to the Master Development and License Agreement, dated as of August 27, 2010, by and amount Mikah Pharma LLC and the Company (Confidential Treatment granted with respect to portions of the Agreement), incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for three and nine months ended December 31, 2011.
- 10.62 Treppel \$500,000 Bridge Loan Agreement dated June 12, 2012, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 13, 2012.
- 10.63 December 5, 2012 amendment to the Treppel Bridge Loan Agreement incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 10, 2012.
- 10.64 Development And License Agreement between the Company and a Hong Kong-based client dated March 16, 2012 incorporated by reference to Exhibit 10.77 to the Annual Report on Form 10-K filed with the SEC on June 29, 2012 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.65 Letter Agreement between the Company and ThePharmaNetwork LLC, dated September 21, 2012 incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q filed with the SEC on November 14, 2012 (Confidential Treatment granted with respect to portions of the Agreement).
- 10.66 Purchase Agreement between the Company and Lincoln Park Capital LLC dated April 19, 2013 , incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated April 18, 2013 and filed with the SEC on April 22, 2013.
- 10.67 Registration Rights Agreement between the Company and Lincoln Park Capital LLC dated April 19, 2013 , incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated April 18, 2013 and filed with the SEC on April 22, 2013.
- 10.68 August 1, 2013 Employment Agreement with Nasrat Hakim, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, dated August 1, 2013 and filed with the SEC on August 5, 2013.
- 10.69 August 1, 2013 Mikah LLC Asset Purchase Agreement, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated August 1, 2013 and filed with the SEC on August 5, 2013. (Confidential Treatment granted with respect to portions of the Agreement).
- 10.70

Revised Schedule 1 to the August 1, 2013 Mikah LLC Asset Purchase Agreement (revised to remove confidential treatment with regard to one item set forth thereon) incorporated by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q for the period ending December 31, 2013, filed with the SEC on February 14, 2014.

- 10.71 August 1, 2013 Secured Convertible Note from the Company to Mikah Pharma LLC., incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated August 1, 2013 and filed with the SEC on August 5, 2013.
- 10.72 August 1, 2013 Security Agreement from the Company to Mikah Pharma LLC., incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, dated August 1, 2013 and filed with the SEC on August 5, 2013.
- 10.73 Termination of June 2011, Manufacturing and Supply Agreement between Mikah Pharma LLC and the Company, incorporated by reference to Exhibit 10.15 of the Quarterly Report on Form 10-Q for the period ending December 31, 2014 and filed with the SEC on February 14, 2014.
- 10.74 October 15, 2013 Hakim Credit Line Agreement, incorporated by reference to Exhibit 10.16 to the Quarterly Report on Form 10-Q for the period ended September 30, 2013.
- 10.75 October 2, 2013 Manufacturing and Licensing Agreement with Epic Pharma LLC, incorporated by reference to Exhibit 10.17 to the Amended Quarterly Report on Form 10-Q/A for the period ended September 30, 2013 and filed with the SEC on April 25, 2014. Confidential Treatment granted with respect to portions of the Agreement.
- 10.76 August 19, 2013, Master Services Agreement with Camargo Pharmaceutical Services, LLC, incorporated by reference to Exhibit 10.18 to the Quarterly Report on Form 10-Q for the period ended September 30, 2013 and filed with the SEC on November 14, 2013
- 10.77 November 21, 2013 Unsecured Convertible Note from the Company to Jerry Treppel, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated November 26, 2013 and filed with the SEC on November 26, 2013.
- 10.78 February 7, 2014 Amendment to Secured Convertible Note from the Company to Mikah, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated February 7, 2014 and filed with the SEC on February 7, 2014.
- 10.79 February 7, 2014 Amendment to Secured Convertible Note from the Company to Jerry Treppel, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated February 7, 2014 and filed with the SEC on February 7, 2014.
- 10.80 Purchase Agreement between the Company and Lincoln Park Capital LLC dated April 10, 2014 , incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated April 10, 2014 and filed with the SEC on April 14, 2014.
- 10.81 Registration Rights Agreement between the Company and Lincoln Park Capital LLC dated April 10, 2014 , incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated April 10, 2014 and filed with the SEC on April 14, 2014.
- 21 Subsidiaries of the Company.\*\*
- 23 Consent of Demetrius Berkower LLC, Independent Registered Public Accounting Firm\*\*

The following materials from Elite Pharmaceuticals' Annual Report on Form 10-K, related to the audited financial statements as and for the fiscal years ended March 31, 2014 and 2013, formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Statements of Income; (ii) the Consolidated Balance Sheets; (iii) the Consolidated Statements of Cash Flows; and (iv) Notes to Consolidated Financial Statements.\*\*

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*\*

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*\*

32.1\*\* Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\*\*

32.2\*\* Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\*\*

\* On January 5, 2011, the Company changed its domicile from Delaware to Nevada. All corporate documents from Delaware have been superseded by Nevada corporate documents filed or incorporated by reference herein. All outstanding Delaware securities certificates are now outstanding Nevada securities certificates.

\*\* Filed herewith.

\*\*\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Act of 1934 and otherwise are not subject to liability.

\*\*\*\* These exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Elite Pharmaceuticals, Inc. under the Securities Act or the Securities Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filings.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELITE  
PHARMACEUTICALS,  
INC.

By: /s/ Nasrat Hakim  
Nasrat Hakim  
Chief Executive Officer

Dated: June 30, 2014

By: /s/ Carter J. Ward  
Carter J. Ward  
Chief Financial Officer

Dated: June 30, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Nasrat Hakim	Chief Executive Officer and President	June 30, 2014
/s/ Jerry Treppel	Chairman of the Board of Directors	June 30, 2014
/s/ Carter J. Ward	Chief Financial Officer, Treasurer, Secretary	June 30, 2014
/s/ Barry Dash	Director	June 30, 2014
/s/ Jeenarine Narine	Director	June 30, 2014
/s/ Ashok Nigalaye	Director	June 30, 2014
/s/ Jeffrey Whitnell	Director	June 30, 2014



**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

**CONTENTS**

	<b>PAGE</b>
<b><u>REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	<b>F - 1</b>
<b><u>CONSOLIDATED BALANCE SHEETS</u></b>	<b>F - 2</b>
<b><u>CONSOLIDATED STATEMENTS OF OPERATIONS</u></b>	<b>F - 4</b>
<b><u>CONSOLIDATED STATEMENTS OF STOCKHOLDERS (DEFICIT) EQUITY</u></b>	<b>F - 5</b>
<b><u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u></b>	<b>F - 7</b>
<b><u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u></b>	<b>F - 9</b>



## REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and

Shareholders of Elite Pharmaceuticals, Inc. & Subsidiary

We have audited the accompanying consolidated balance sheets of Elite Pharmaceuticals, Inc. and Subsidiary (“the Company”) as of March 31, 2014 and 2013 and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the years in the two-year period ended March 31, 2014. The Company’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elite Pharmaceuticals, Inc. and Subsidiary as of March 31, 2014 and 2013 and the results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

/s/Demetrius Berkower LLC

Wayne, New Jersey

June 30, 2014

F-1

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS****March 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b><u>CURRENT ASSETS</u></b>		
Cash	\$6,941,777	\$369,023
Accounts receivable (net of allowance for doubtful accounts of \$134,083 and -0- respectively)	732,076	665,154
Inventories (net of reserve of -0- and \$93,338, respectively)	1,932,486	1,358,146
Prepaid expenses and other current assets	318,424	151,051
Total Current Assets	9,924,763	2,543,374
<b><u>PROPERTY AND EQUIPMENT</u></b> , net of accumulated depreciation of \$5,508,377 and \$5,068,522, respectively	4,199,602	4,028,943
<b><u>INTANGIBLE ASSETS</u></b> – net of accumulated amortization of \$-0- and \$-0-, respectively	6,349,922	694,426
<b><u>OTHER ASSETS</u></b>		
Investment in Novel Laboratories, Inc.	3,329,322	3,329,322
Security deposits	16,314	14,314
Restricted cash – debt service for EDA bonds	265,043	267,820
EDA bond offering costs, net of accumulated amortization of \$121,697 and \$107,519, respectively	232,756	246,934
Total Other Assets	3,843,435	3,858,390
<b>TOTAL ASSETS</b>	<b>\$24,317,722</b>	<b>\$11,125,133</b>

*See accompanying notes*

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS****March 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b><u>CURRENT LIABILITIES</u></b>		
Current portion of EDA bonds payable	\$3,385,000	\$3,385,000
Short term loans and current portion of long-term debt	18,870	6,296
Related Party Lines of Credit	528,750	600,000
Accounts payable and accrued expenses	2,214,871	1,325,126
Deferred revenues – current	13,333	13,333
Preferred share derivative interest payable	—	27,500
Total Current Liabilities	6,160,824	5,357,255
<b><u>LONG TERM LIABILITIES</u></b>		
Deferred revenues	138,890	152,223
Other long term liabilities	131,144	91,571
Derivative liability – preferred shares	60,981,570	6,334,621
Derivative liability – warrants	38,103,446	7,862,848
Total Long Term Liabilities	99,355,050	14,441,263
<b>TOTAL LIABILITIES</b>	<b>105,515,874</b>	<b>19,798,518</b>
<b><u>STOCKHOLDERS' DEFICIT</u></b>		
Common stock – par value \$0.001, Authorized 690,000,000 shares. Issued 560,242,430 shares and 374,493,959 shares, respectively. Outstanding 560,142,430 shares and 374,393,959 shares, respectively.	560,244	374,495
Additional paid-in-capital	143,555,091	119,690,336
Accumulated deficit	(225,006,646)	(128,431,375)
Treasury stock at cost (100,000 common shares)	(306,841 )	(306,841 )
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(81,198,152 )</b>	<b>(8,673,385 )</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$24,317,722</b>	<b>\$11,125,133</b>

*See accompanying notes*



**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Years Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Manufacturing Fees	2,982,400	\$2,214,271
Licensing Fees	1,536,039	806,365
Lab Fee Revenues	82,937	382,889
Total Revenues	4,601,376	3,403,526
 <b>COSTS OF REVENUES</b>	 3,236,106	 2,315,154
Gross Profit	1,365,270	1,088,372
 <b>OPERATING EXPENSES</b>		
Research and Development	3,959,316	975,250
General and Administrative	2,105,725	1,513,468
Non-cash compensation through issuance of stock options	82,947	45,866
Depreciation and Amortization	500,906	116,921
Total Operating Expenses	6,648,894	2,651,505
 <b>(LOSS) FROM OPERATIONS</b>	 (5,283,624 )	 (1,563,133 )
 <b>OTHER INCOME / (EXPENSES)</b>		
Interest expense, net	(859,328 )	(253,745 )
Change in fair value of warrant derivatives	(32,997,869 )	4,089,491
Change in fair value of preferred share derivatives	(56,518,425 )	(561,684 )
Change in fair value of convertible note payable derivative	(1,187,879 )	—
Interest expense attributable to preferred share derivatives	(40,588 )	(139,219 )
Discount in Series E issuance attributable to beneficial conversion features	—	(437,500 )
Other Income	19,831	—
Total Other Income / (Expense)	(91,584,258 )	2,697,343
 <b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	 (96,867,882 )	 1,134,210
 <b>CREDIT FOR INCOME TAXES</b>	 292,611	 353,718
 <b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	 \$(96,575,271 )	 \$1,487,928
 <b>NET INCOME (LOSS) PER SHARE</b>		
Basic	\$(0.21 )	\$0.00
Diluted	\$(0.21 )	\$(0.00 )

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING

Basic	463,021,991	349,075,642
Diluted	463,021,991	526,880,118

*See accompanying notes*

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS (DEFICIT) EQUITY****FOR THE YEAR ENDED MARCH 31, 2013**

	Common Stock			Treasury Stock		Accumulated Deficit	Stockholders' Deficit
	Shares	Amount	Additional Paid-In Capital	Shares	Amount		
<b>Balance at March 31, 2012</b>	<b>331,649,738</b>	<b>\$331,650</b>	<b>\$114,910,812</b>	<b>100,000</b>	<b>\$(306,841)</b>	<b>\$(129,919,303)</b>	<b>\$(14,983,682 )</b>
Net Income						1,487,928	1,487,928
Common shares issued in lieu of cash in payment of preferred share derivative interest expense	1,860,943	1,861	180,824				182,684
Conversion of Series B, Series C and Series E Preferred Shares into Common Shares	29,863,563	29,865	3,140,807				3,170,671
Non-cash compensation through the issuance of stock options			45,866				45,866
Costs associated with raising capital (net of adjustments)			240,144				240,144
Issuance of Common Shares pursuant to the exercise of warrants	9,293,227	9,293	590,091				599,384



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Common shares issued in payment of Directors' Fees	1,200,588	1,201	94,846				96,047
Common shares issued in payment of employee salaries	625,900	626	49,446				50,072
Proceeds received in exchange for beneficial conversion provisions embedded in Series E Preferred Shares			437,500				437,500
<b>Balance at March 31, 2013</b>	<b>374,493,959</b>	<b>\$374,495</b>	<b>\$119,690,336</b>	<b>100,000</b>	<b>\$(306,841)</b>	<b>\$(128,431,375)</b>	<b>\$(8,673,385 )</b>

See accompanying notes

F-5

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS (DEFICIT) EQUITY****FOR THE YEAR ENDED MARCH 31, 2014**

	Common Stock			Treasury Stock		Accumulated Deficit	Stockholders' Deficit
	Shares	Amount	Additional Paid-In Capital	Shares	Amount		
<b>Balance at March 31, 2013</b>	<b>374,493,959</b>	<b>\$ 374,495</b>	<b>\$ 119,690,336</b>	<b>100,000</b>	<b>\$(306,841)</b>	<b>\$(128,431,375)</b>	<b>\$(8,673,385 )</b>
Net Income						(96,575,271 )	(96,575,271 )
Common shares sold pursuant to the Lincoln Park Capital purchase agreement	65,143,216	65,143	9,934,857				10,000,000
Common shares issued in lieu of cash in payment of preferred share derivative interest expense	878,543	879	67,210				68,089
Conversion of Series B, Series C and Series E Preferred Shares into Common Shares	91,796,043	91,797	9,733,269				9,825,066
Non-cash compensation through the issuance of stock options			82,947				82,947
Costs associated with raising capital (net of adjustments)	5,858,230	5,858	(53,845 )				(47,987 )

Issuance of Common Shares pursuant to the exercise of warrants	16,904,038	16,904	3,584,116				3,601,020
Issuance of Common Shares pursuant to the exercise of options	308,333	308	23,992				24,300
Common shares issued in payment of Directors' Fees	1,210,583	1,211	108,789				110,000
Common shares issued in payment of employee salaries	3,439,467	3,439	364,794				368,233
Common shares issued in payment of consulting expenses	210,018	210	18,626				18,836
<b>Balance at March 31, 2014</b>	<b>560,242,430</b>	<b>\$560,244</b>	<b>\$143,555,092</b>	<b>100,000</b>	<b>\$(306,841)</b>	<b>\$(225,006,646)</b>	<b>\$(81,198,152 )</b>

*See accompanying notes*

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>YEARS ENDED MARCH 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ (96,575,269 )	\$ 1,487,928
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	453,746	423,340
Change in fair value of warrant derivative liability	32,997,869	(4,089,491 )
Change in fair value of preferred share derivative liability	56,518,425	561,684
Change in value of convertible note payable derivative	1,187,879	
Discount in Series E issuance attributable to embedded beneficial conversion feature	—	437,500
Preferred share derivative interest satisfied by the issuance of common stock	68,089	182,684
Salaries and Directors Fees satisfied by the issuance of common stock	478,233	146,119
Consulting expenses paid via the issuance of common stock	18,836	
Non-cash compensation satisfied by the issuance of common stock and options	82,947	45,866
Non-cash interest expense	568,395	
Non-cash rent expense	(49,439 )	9,112
Non-cash lease accretion	1,438	1,356
Changes in Assets and Liabilities		
Accounts receivable	(66,922 )	(268,305 )
Inventories	(574,340 )	(1,053,264 )
Prepaid and other current assets	(169,373 )	(22,748 )
Accounts payable, accrued expenses and other current liabilities	883,446	501,611
Deferred revenues and Customer deposits	(13,333 )	(13,335 )
Derivative interest payable	(27,500 )	(43,466 )
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,216,875 )</b>	<b>(1,693,409 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(455,323 )	(119,489 )
Cost of leasehold improvements	(46,945 )	(33,519 )
Costs incurred for intellectual property assets	(58,178 )	(51,578 )
Withdrawals from restricted cash, net	2,777	12,765
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(557,669 )</b>	<b>(191,822 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Series E Convertible Preferred Stock	—	437,500
Proceeds from Executions of Cash Warrants and Options	868,050	564,500
Proceeds from draws against related party Credit Lines	528,750	600,000
Other loan payments	(1,515 )	(6,297 )
Proceeds from sale of common stock to Lincoln Park Capital	10,000,000	—
Costs associated with raising capital, net of adjustments	(47,987 )	(9,856 )
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>11,347,299</b>	<b>1,585,847</b>

<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>6,572,754</b>	<b>(299,384 )</b>
CASH AND CASH EQUIVALENTS – beginning of period	369,023	668,407
CASH AND CASH EQUIVALENTS – end of period	<b>\$ 6,941,777</b>	<b>\$ 369,023</b>

*See accompanying notes*

**Continued on next page**

F-7

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(continued from previous page)

	<b>YEARS ENDED MARCH</b>	
	<b>31,</b>	
	<b>2014</b>	<b>2013</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 289,494	\$ 237,874
Cash paid for taxes	3,099	6,099
<b>SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Commitment shares issued to Lincoln Park Capital	1,112,838	—
Conversion of Preferred Shares to Common Shares	9,825,066	—
Acquisition of Intellectual Property with convertible note payable	5,597,317	—
Issuance of note payable to related party in payment of balance due on line of credit owed to the same related party	600,000	—
Issuance of Series I Preferred Shares in satisfaction of amounts due on Notes Payable	7,953,591	—
Financing of equipment purchases	107,960	

*See accompanying notes*

## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

The accompanying audited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP")

### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Elite Pharmaceuticals, Inc. and its consolidated subsidiary, (collectively the "Company") including its wholly-owned subsidiary, Elite Laboratories, Inc. ("Elite Labs") for the years ended March 31, 2014 ("Fiscal 2014") and 2013 ("Fiscal 2013"). Our Company consolidates all entities that we control by ownership of a majority voting interest. As of March 31, 2014, the financial statements of its wholly-owned entity are consolidated and all significant intercompany accounts are eliminated upon consolidation.

### **NATURE OF BUSINESS**

Elite Pharmaceuticals, Inc. was incorporated on October 1, 1997 under the laws of the State of Delaware, and its wholly-owned subsidiary Elite Laboratories, Inc. was incorporated on August 23, 1990 under the laws of the State of Delaware. On January 5, 2012, Elite Pharmaceuticals was reincorporated under the laws of the State of Nevada. Elite Labs engages primarily in researching, developing and licensing proprietary controlled-release drug delivery systems and products. The Company is also equipped to manufacture controlled-release products on a contract basis for third parties and itself if and when the products are approved; however the Company has concentrated on developing orally administered controlled-release products. These products include drugs that cover therapeutic areas for pain, allergy and infection. The Company also engages in research and development activities for the purpose of obtaining Food and Drug Administration approval, and, thereafter, commercially exploiting generic and new controlled-release pharmaceutical products. The Company also engages in contract research and development on behalf of other pharmaceutical companies.

### **CASH**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks and money market instruments. The Company places its cash and cash equivalents with high-quality, U.S. financial institutions and, to date has not experienced losses on any of its balances.

### **INVENTORIES**

Inventories are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

### LONG-LIVED ASSETS

The Company periodically evaluates the fair value of long-lived assets, which include property and equipment and intangibles, whenever events or changes in circumstances indicate that its carrying amounts may not be recoverable. Such conditions may include an economic downturn or a change in the assessment of future operations. A charge for impairment is recognized whenever the carrying amount of a long-lived asset exceeds its fair value. Management has determined that no impairment of long-lived assets has occurred.

Property and equipment are stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the respective assets which range from five to forty years. Major repairs or improvements are capitalized. Minor replacements and maintenance and repairs which do not improve or extend asset lives are expensed currently.

F-9



Upon retirement or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recognized in income.

Costs incurred to acquire intangible assets such as for the application of patents and trademarks are capitalized and amortized on the straight-line method, based on their estimated useful lives ranging from five to fifteen years, commencing upon approval of the patent and trademarks. Such costs are charged to expense if the patent or trademark is unsuccessful.

### RESEARCH AND DEVELOPMENT

Research and development expenditures are charged to expense as incurred.

### CONCENTRATION OF CREDIT RISK

The Company maintains cash balances, which, at times, may exceed the amounts insured by the Federal Deposit Insurance Corp. Uninsured balances at March 31, 2014 are \$6,941,777. Management does not believe that there is any significant risk of losses.

The Company in the normal course of business extends credit to its customers based on contract terms and performs ongoing credit evaluations. An allowance for doubtful accounts due to uncertainty of collection is established based on historical collection experience. Amounts are written off when payment is not received after exhaustive collection efforts. During Fiscal 2014 and Fiscal 2013 the Company generated all its revenues from ten and six companies, respectively. The termination of the contracts with either of such companies will result in the loss of a significant amount of revenues currently being earned.

### USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, the recognition of revenue, the amount of the allowance for doubtful accounts receivable and the fair value of intangible assets, stock-based awards and derivatives.

### INCOME TAXES

The Company uses the liability method for reporting income taxes, under which current and deferred tax liabilities and assets are recorded in accordance with enacted tax laws and rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Under the liability method, the amounts of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Further tax benefits are recognized when it is more likely than not, that such benefits will be realized. Valuation allowances are provided to reduce deferred tax assets to the amount considered likely to be realized.

GAAP prescribes a recognition threshold and measurement attribute for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. GAAP requires that the financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. No adjustments related to uncertain tax positions were recognized during Fiscal 2014 and Fiscal 2013.

The Company recognizes interest and penalties related to uncertain tax positions as a reduction of the income tax benefit. No interest and penalties related to uncertain tax positions were accrued as of March 31, 2014 and March 31, 2013.

The Company operates in multiple tax jurisdictions within the United States of America. Although we do not believe that we are currently under examination in any of our major tax jurisdictions, we remain subject to examination in all of our tax jurisdiction until the applicable statutes of limitation expire. As of March 31, 2014, a summary of the tax years that remain subject to examination in our major tax jurisdictions are: United States – Federal, 2010 and forward, and State, 2006 and forward. The Company did not record unrecognized tax positions for the years ended March 31, 2014 and 2013.

#### EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated by dividing net earnings by the weighted average number of shares outstanding during each period presented. Diluted earnings per share are calculated by dividing earnings by the weighted average number of shares and common stock equivalents. The Company's common stock equivalents consist of options, warrants and convertible securities.

#### REVENUE RECOGNITION

Revenues earned under manufacturing agreements with other pharmaceutical companies are recognized on the date of shipment of the product, when title for the goods is transferred, and for which the price is agreed to and it has been determined that collectability is reasonably assured.

Revenues derived from royalties and profit splits are recognized when such are reasonably estimable and collectible. Revenues from royalties and profit splits which cannot be reasonably estimated are recognized when the payment is received.

Revenues derived from providing research and development services under contracts with other pharmaceutical companies are recognized when earned. These contracts provide for non-refundable upfront and milestone payments.

Because no discrete earnings event has occurred when the upfront payment is received, that amount is deferred until the achievement of a defined milestone. Each nonrefundable milestone payment is recognized as revenue when the performance criteria for that milestone have been met. Under each contract, the milestones are defined, substantive effort is required to achieve the milestone, the amount of the non-refundable milestone payment is reasonable, commensurate with the effort expended, and achievement of the milestone is reasonably assured.

F-11

Revenues earned in relation to the licensing of certain pharmaceutical products developed by or ANDA's owned by the Company are recognized pursuant to the terms and conditions of the applicable licensing agreements. Such licensing revenues include, without limitation, milestone fees, for which revenues are recognized when a milestone, as defined in a licensing agreement, is achieved, for which licensing revenues which are determined by in-market product sales, and for which revenues are recognized when earned as per the terms and conditions of the applicable licensing agreement.

### TREASURY STOCK

The Company records common shares purchased and held in treasury at cost.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of current assets and liabilities approximate fair value due to the short-term nature of these instruments. The carrying amounts of noncurrent assets are reasonable estimates of their fair values based on management's evaluation of future cash flows. The long-term liabilities are carried at amounts that approximate fair value based on borrowing rates available to the Company for obligations with similar terms, degrees of risk and remaining maturities.

### STOCK-BASED COMPENSATION

The Company accounts for all stock-based payments and awards under the fair value based method. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until the counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity based instruments on an accelerated basis. The cost of the stock-based payments to nonemployees that are fully vested and non-forfeitable as at the grant date is measured and recognized at that date, unless there is a contractual term for services in which case such compensation would be amortized over the contractual term.

The Company accounts for the granting of share purchase options to employees using the fair value method whereby all awards to employees will be recorded at fair value on the date of the grant. Share based awards granted to employees with a performance condition are measured based on the probable outcome of that performance condition during the requisite service period. Such an award with a performance condition is accrued if it is probable that a performance condition will be achieved. Compensation costs for stock-based payments to employees that do not include performance conditions are recognized on a straight-line basis. The fair value of all share purchase options is expensed over their vesting period with a corresponding increase to additional capital surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in additional capital surplus, is recorded as an increase to share capital

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

The compensation expense recognized for the years ended March 31, 2014 and 2013 was \$82,947 and \$45,866, respectively.

F-12

## FAIR VALUE MEASUREMENTS

The Company adopted Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements and Disclosures, for financial and non-financial assets and liabilities.

ASC 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). The Company utilizes the market approach. The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 2: These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity’s own assumptions.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company believes that all recently issued accounting pronouncements and other authoritative guidance for which the effective date is in the future either will not have an impact on its accounting or reporting or that such impact will not be material to its financial statements.

## **NOTE 2      INVENTORIES**

Inventories are recorded at the lower of cost or market. Inventories at March 31, 2014 and 2013 consist of the following:

	<b>2014</b>	<b>2013</b>
Finished Goods	\$—	\$—
Work-in-Process	409,146	676,726
Raw Materials	1,523,341	774,758

	1,932,487	1,451,484
Less: Inventory Valuation Reserve	—	(93,338 )
	\$ 1,932,487	\$ 1,358,146

The Inventory Valuation Reserve as of March 31, 2013, consists of raw materials with an aggregate cost of \$93,338 being expired materials with no commercial value. These materials were destroyed during Fiscal 2014.

F-13



**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment at March 31, 2014 and 2013 consists of the following:

	2014	2013
Laboratory manufacturing, and warehouse equipment	\$5,952,084	\$5,563,694
Office equipment and Software	95,309	67,414
Furniture and fixtures	49,804	49,804
Transportation equipment	66,855	66,855
Land, building and improvements	3,543,927	3,349,696
	9,707,979	9,097,463
Less: Accumulated depreciation	(5,508,377)	(5,068,522)
	\$4,199,602	\$4,028,941

Depreciation expense amounted to \$486,726 and \$423,340 for the years ended March 31, 2014 and 2013, respectively.

**NOTE 4 - INTANGIBLE ASSETS**

Costs to acquire intangible assets, such as asset purchases of Abbreviated New Drug Applications (“ANDA’s”) which are approved by the FDA or costs incurred in the application of patents are capitalized and amortized on the straight-line method, based on their estimated useful lives ranging from five to fifteen years, commencing upon approval of the patent or site transfers required for commercialization of an acquired ANDA. Such costs are charged to expense if the patent application or ANDA site transfer is unsuccessful.

As of March 31, 2014 and 2013, the following costs were recorded as intangible assets on the Company’s balance sheet:

	2014	2013
Intangible assets at beginning of fiscal year		
Patent application costs	244,424	192,848
ANDA acquisitions	450,000	450,000

Less: Accumulated Amortization	—	—
Net Intangible Assets at beginning of fiscal year	694,424	642,848
Intangible asset costs capitalized during the fiscal year		
Patent application costs	58,178	51,578
ANDA acquisition costs	5,597,317	—
Total cost of intangible assets capitalized	5,655,495	51,578
Amortization of intangible assets during fiscal year		
Patent application costs	—	—
ANDA acquisition costs	—	—
Total amortization of intangible assets	—	—
Impairment of intangible assets during the fiscal year		
Patent application costs	—	—
ANDA acquisition costs	—	—
Accumulated amortization of impaired assets	—	—
Net impairment of intangible assets	—	—
Intangible assets at end of fiscal year		
Patent application costs	302,602	244,424
Trademarks	—	—
ANDA acquisition costs	6,047,317	450,000
Less: Accumulated Amortization		
Net Intangible Assets	\$6,349,922	\$694,424

The costs incurred in patent applications totaling \$58,178 and \$51,578 for Fiscal 2014 and Fiscal 2013, respectively, were all related to our abuse resistant and extended release opioid product lines. The Company is continuing its efforts to achieve approval of such patents. Additional costs incurred in relation to such patent applications will be capitalized as intangible assets, with amortization of such costs to commence upon approval of the patents and commercialization of products utilizing the patented technologies.

On May 22, 2012, the United States Patent and Trademark Office (“USPTO”) issued U.S. Patent No. 8,182,836, entitled “Abuse-Resistant Oral Dosage Forms and Method of Use Thereof. A Current Report on Form 8-K was filed with the SEC on May 22, 2012, with such filing being herein incorporated by reference.

On April 23, 2013, the USPTO issued Patent No. 8,425,933 entitled “Abuse-Resistant Oral Dosage Forms and Method of Use Thereof”. A Current Report on Form 8-K was filed with the SEC on April 23, 2013, with such filing being herein incorporated by reference.

On April 22, 2014, the USPTO issued Patent No. 8,703,186 entitled “Abuse-Resistant Oral Dosage Forms and Method of Use Thereof.

The ANDA acquisition costs of \$450,000 recorded as of the beginning of Fiscal 2014 and included as a part of intangible assets as of March 31, 2014 and March 31, 2013, are related to our acquisition of the ANDA for Phentermine 37.5mg tablets. The ANDA acquisition costs incurred during Fiscal 2014, totaling approximately \$5.6 million consist of 12 approved ANDA’s (the “Mikah Approved ANDAs”) and one ANDA that is under active review with the FDA (the “Mikah ANDA Application Product”) which were acquired from Mikah Pharma LLC (“Mikah”) pursuant an asset purchase agreement between the Company and Mikah dated August 1, 2013 (the “Mikah Asset Purchase Agreement”). A Current Report on Form 8-K was filed with the SEC on August 5, 2013 in relation to the Mikah Asset Purchase Agreement, with such filing being herein incorporated by reference.

#### **NOTE 5 INVESTMENT IN NOVEL LABORATORIES INC.**

At the end of 2006, Elite entered into a joint venture with VGS Pharma, LLC (“VGS”) and created Novel Laboratories, Inc. (“Novel”), a privately-held company specializing in pharmaceutical research, development, manufacturing, licensing, acquisition and marketing of specialty generic pharmaceuticals. Novel’s business strategy is to focus on its core strength in identifying and timely executing niche business opportunities in the generic pharmaceutical area. Elite’s ownership interest in Novel consists of 9,800 shares of Novel’s Class A Voting Common Stock. As of October 1, 2007, Elite deconsolidated its financial statements from Novel and the investment in Novel is accounted for under the cost method of accounting.



On June 10, 2014, the Company received \$5 million in exchange for the 9,800 shares of Novel's Class A Voting Common Stock owned by the Company.

#### **NOTE 6 - NJEDA BONDS**

##### Notice of redemption

On June 20, 2014, subsequent to the end of Fiscal 2014 and in accordance with the terms and conditions of the bond indenture, the Company provided to the Trustee of the NJEDA Bonds written notice of its intent to redeem those bonds which were due and payable as of the same date.

The bond indenture requires that the Company provide the Trustee with 60 days written notice (or such shorter period agreeable to the Trustee), and that the Trustee would then notify the Depository Trust Company ("DTC") of the bonds which are to be redeemed. The DTC is then required to provide to the applicable bondholders notice of no less than 30 days nor more than 45 days notice of the redemption.

Through the written notification, the Company has advised the Trustee of its ability and intentions to pay all amounts due and owing currently and separately, has advised the Trustee of its ability and intentions to pay the principal and interest payments which are due and payable on September 1, 2014.

The Company is cooperating with the Trustee to redeem all bonds currently due and owing, as well as those due on September 1, 2014, with the objective of curing all monetary defaults and achieving full compliance with the terms and conditions of the bonds as soon as possible.

Management believes that the successful resolution of the bond defaults will have a significant and positive effect on the Company's ability to operate as a going concern.

##### Classification of Bond Liability as a Current Liability

Due to the issuance of a Notice of Default being received from the Trustee, and as the event of default was not waived or rescinded as of March 31, 2014, the Company has classified the entire principal balance due on the NJEDA Bonds as a current liability.

Summary Description and History of NJEDA Bonds

On August 31, 2005, the Company successfully completed a refinancing of a prior 1999 bond issue through the issuance of new tax-exempt bonds (the “Bonds”) via the issuance of the following:

Description	Principal Amount On Issue Date	Interest Rate	Maturity
Series A Note	\$3,660,000	6.50 %	September 1, 2030
Series B Note	495,000	9.0 %	September 1, 2012

The net proceeds, after payment of issuance costs, were used (i) to redeem the outstanding tax-exempt Bonds originally issued by the Authority on September 2, 1999, (ii) refinance other equipment financing and (iii) for the purchase of certain equipment to be used in the manufacture of pharmaceutical products. As of March 31, 2014, all of the proceeds were utilized by the Company for such stated purposes.

Interest is payable semiannually on March 1 and September 1 of each year. The Bonds are collateralized by a first lien on the Company's facility and equipment acquired with the proceeds of the original and refinanced Bonds. The related Indenture requires the maintenance of a Debt Service Reserve Fund as follows:

Description	Amount
Series A Note Proceeds	\$366,000
Series B Note Proceeds	49,500
Total	\$415,500

The Debt Service Reserve is maintained in restricted cash accounts that are classified in Other Assets.

Bond issue costs were paid from the bond proceeds and are being amortized over the life of the bonds. These costs and amortization activity are summarized as follows:

Description	Balances As of March 31, 2013	Amortization Expense Current YTD	Balances As of March 31, 2014
Bond Issue Costs	\$ 354,453		\$ 354,453
Accumulated Amortization	(107,519	) (14,178	) (121,697 )
Unamortized Balance	\$ 246,934		\$ 232,756

The NJEDA Bonds require the Company to make an annual principal payment on September 1<sup>st</sup> of varying amounts as specified in the loan documents and semi-annual interest payments on March 1<sup>st</sup> and September 1<sup>st</sup>, equal to interest due on the outstanding principal at the applicable rate for the semi-annual period just ended.

Due to the Company not having sufficient funds, the following withdrawals were made from the debt service reserve, with the funds being used to make interest payments due to the holders of the NJEDA Bonds:

Payment Date	Amount
March 1, 2009	\$120,775
September 1, 2009	120,775
March 1, 2010	113,075
September 1, 2010	113,075
March 1, 2011	113,075
September 1, 2011	113,075
March 1, 2012	113,075
September 1, 2012	113,075
March 1, 2013	113,075
September 1, 2013	113,075
March 1, 2014	113,075

F-17



Due to the Company not having sufficient funds, a the following withdrawal was made from the debt service reserve, with the funds being used to make a principal payment due to the holders of the NJEDA Bonds:

Payment Date	Amount
September 1, 2009	\$210,000

Pursuant to the terms of the NJEDA Bonds, the Company is required to replenish any amounts withdrawn from the debt service reserve and used to make principal or interest payments in six monthly installments, each being equal to one-sixth of the amount withdrawn and with the first installment due on the 15<sup>th</sup> of the month in which the withdrawal from debt service reserve occurred and the remaining five monthly payments being due on the 15<sup>th</sup> of the five immediately subsequent months. The Company has, to date, made all payments required in relation to the withdrawals made from the debt service reserve in relation to the Restricted Cash Interest Payments and the Restricted Cash Principal Payment.

In addition, the Company did not have sufficient funds available to make the principal payments due on September 1, 2010, September 1, 2011, September 1, 2012 and September 1, 2013. These principal payments are summarized as follows:

Payment Date	Amount
September 1, 2010	\$225,000(1)
September 1, 2011	470,000(2)
September 1, 2012	730,000(3)
September 1, 2013	915,000(4)

- (1) The Company request to withdraw funds from the debt service reserve to pay the amount due on September 1, 2010 was denied by the Trustee and accordingly, the principal payment due on such date was not made.  
The principal payment due on September 1, 2011, included the amount due and September 1, 2010 and not paid.
- (2) There were not sufficient funds available in the debt service reserve and the principal payment due on September 1, 2011 was not made.  
The principal payment due on September 1, 2012, included the amount due and September 1, 2011 and not paid.
- (3) There were not sufficient funds available in the debt service reserve and the principal payment due on September 1, 2012 was not made.  
The principal payment due on September 1, 2013, included the amount due and September 1, 2012 and not paid.
- (4) There were not sufficient funds available in the debt service reserve and the principal payment due on September 1, 2013 was not made.

The Company has received Notices of Default from the Trustee of the NJEDA Bonds in relation to the withdrawals from the debt service reserve and non-payment of principal amounts due on September 1, 2010, 2011, 2012 and 2013.

F-18

The successful conclusion of our current efforts to resolve the Company's default under the NJED Bonds will have a significant positive effect on our ability to operate in the future.

Bond financing consisting of the following, as of March 31.

	2014	2013
Refinanced NJEDA Bonds	\$3,385,000	\$3,385,000
Current portion	(3,385,000)	(3,385,000)
Long term portion, net of current maturities	\$—	\$—

Maturities of Bonds for the next five years are as follows:

YEAR ENDING MARCH 31,	AMOUNT
2015	\$1,110,000
2016	210,000
2017	220,000
2018	85,000
2019	90,000
Thereafter	1,670,000
	\$3,385,000

**NOTE 7 - LOANS PAYABLE AND LONG TERM DEBT**

Loans payable and long term debt consisted of the following:

March 31, 2014		March 31, 2013	
Current	Long-Term	Current	Long-Term
—	—	6,295	—

Capital lease payable to Shimadzu Financial Services; 24 payments of \$594;  
Final payment due in March 2014

Equipment Financing; 60 months at 6.8%; Final payment due February 2019	18,870	87,574	—	—
Deferred Rent-135 Ludlow Ave Lease (see note 9)		18,821		68,260
Lease termination costs – 135 Ludlow Ave lease (see note 9)	—	24,749	—	23,311
TOTAL	\$18,870	\$131,144	\$6,295	\$91,571

F-19

**NOTE 8 - RELATED PARTY LINES OF CREDIT AND NOTES PAYABLE**

Treppel \$1 million credit line and Treppel Note Payable

On June 12, 2012 (the “Treppel Credit Line Effective Date”), we entered into a bridge loan agreement (the “Treppel Loan Agreement”) with Jerry Treppel, our Chairman, who was also CEO on the Treppel Credit Line Effective Date. Under the terms of the Treppel Loan Agreement, we have the right, in our sole discretion, to a line of credit (the “Treppel Credit Line”) in the maximum principal amount of up to \$500,000 at any one time. By amendments, the maximum principal amount was increased to \$1,000,000 and the maturity date was amended and extended Mr. Treppel provided the Treppel Credit Line for the purpose of supporting the acceleration of our product development activities. The current term of the Treppel Loan Agreement ends on July 31, 2014, at which time the entire unpaid principal balance plus accrued interest thereon shall be due and payable in full. We may prepay any amounts owed without penalty. Any such prepayments shall first be attributable to interest due and owing and then to principal. Interest only shall be payable quarterly on July 1, October 1, January 1 and April 1 of each year. Prior to maturity or the occurrence of an Event of Default as defined in the Loan Agreement, we may borrow, repay, and reborrow under the Treppel Credit Line through maturity. Amounts borrowed under the Treppel Credit Line will bear interest at the rate of ten percent (10%) per annum. For more detailed information, please refer to the Current Reports on Form 8-K filed with the SEC on June 13, 2012 December 10, 2012 and August 6, 2013, with such filings being herein incorporated by reference.

On November 21, 2013, Elite entered into an unsecured convertible note (the “Treppel Note”) with Mr. Treppel, in the amount of \$600,000, with such note being in full payment of the unpaid principal amount owed pursuant to the Treppel Loan Agreement on such date.

The Treppel Note was amended on February 7, 2014 to make it convertible into shares of the Company’s Series I Preferred Stock. The Treppel Note, as amended, was interest free and due and payable on the third anniversary of its issuance. Subject to certain limitations, the principal amount of the Note was convertible at the option of Treppel on and after the first anniversary of the date of the Note into shares of the Company’s Common Stock at a rate of \$0.099 (approximately 10,101 shares per \$1,000 in principal amount), the closing market price of the Company’s Common Stock on the date that the Note was executed, and/or into shares of the Company’s Series I Preferred Stock at a rate of 1 share of Series I Preferred Stock for each \$141,442.72 of principal owed on the Treppel Note. The conversion rate was adjustable for customary corporate actions such as stock splits and, subject to certain exclusions, includes weighted average anti-dilution for common stock transactions at prices below the then applicable conversion rate.

On February 7, 2014, Treppel converted the principal amount of \$600,000, representing the entire principal balance due under the Treppel Note into 4.242 shares of the Company’s Series I Preferred Stock.

As of March 31, 2014, the principal balance owed under both the Treppel Credit Line and the Treppel Note was zero. There was also no accrued interest due and owing on the Treppel Credit Line as of March 31, 2014.

#### Hakim \$1,000,000 Bridge Revolving Credit Line

On October 15, 2013 (the “Hakim Credit Line Effective Date”), we entered into a bridge loan agreement (the “Hakim Loan Agreement”) with Mr. Nasrat Hakim, our President and CEO. Under the terms of the Hakim Loan Agreement, we have the right, in our sole discretion, to a line of credit (“Hakim Credit Line”) in the maximum principal amount of up to \$1,000,000 at any one time. Mr. Hakim provided the Credit Line for the purpose of supporting the acceleration of our product development activities. The outstanding amount will be evidenced by a promissory note which shall mature on June 30, 2015, at which time the entire unpaid principal balance plus accrued interest thereon shall be due and payable in full. We may prepay any amounts owed without penalty. Any such prepayments shall first be attributable to interest due and owing and then to principal. Interest only shall be payable quarterly on January 1, April 1, July 1 and October 1 of each year. Prior to maturity or the occurrence of an Event of Default as defined in the Hakim Loan Agreement, we may borrow, repay, and reborrow under the Hakim Credit Line through maturity. Amounts borrowed under the Hakim Credit Line will bear interest at the rate of ten percent (10%) per annum. As of March 31, 2014, the principal balance owed under the Credit Line was \$528,750 with an additional \$9,810 in accrued interest being also owed, in accordance with the terms and conditions of the Credit Line.

#### Convertible Note Payable to Mikah Pharma LLC

On August 1, 2013, Elite Laboratories Inc. (“Elite Labs”), a wholly owned subsidiary of the Company, executed an asset purchase agreement (the “Mikah Purchase Agreement”) with Mikah Pharma LLC (“Mikah”), an entity that is wholly owned by Mr. Nasrat Hakim, who, in conjunction with this transaction, was appointed as Elite’s CEO, President and a Director on August 2, 2012, and acquired from Mikah a total of 13 Abbreviated New Drug Applications (“ANDAs”) consisting of 12 ANDAs approved by the FDA and one ANDA under active review with the FDA, and all amendments thereto (the “Acquisition”) for aggregate consideration of \$10,000,000, inclusive of imputed interest payable pursuant to a non-interest bearing, secured convertible note due in August 2016 (the “Mikah Note”). The Mikah Note was amended on February 7, 2014 to make it convertible into shares of the Company’s Series I Convertible Preferred Stock.

The Mikah Note, as amended, was interest free and due and payable on the third anniversary of its issuance. Subject to certain limitations, the principal amount of the Mikah Note was convertible at the option of Mikah into shares of Common Stock at a rate of \$0.07 (approximately 14,286 shares per \$1,000 in principal amount), the closing market price of the Company’s Common Stock on the date that the asset purchase agreement and Note were executed and/or into shares of the Company’s Series I Convertible Preferred Stock at the rate of 1 share of Series I Preferred Stock for each \$100,000 of principal owed on the Mikah Note. The conversion rate was adjustable for customary corporate actions such as stock splits and, subject to certain exclusions, includes weighted average anti-dilution for common stock transactions at prices below the then applicable conversion rate. Pursuant to a security agreement (the “Security Agreement”), repayment of the Mikah Note was secured by the ANDAs acquired in the Acquisition.

On February 7, 2014, Mikah converted the principal amount of \$10,000,000, representing the entire principal balance due under the Mikah Note, into 100 shares of the Company's Series I Preferred Stock, with the Mikah Note being retired.

F-21

The above described activity on related party lines of credit and notes payable during Fiscal 2014 and Fiscal 2013 is summarized as follows:

	Fiscal 2014	Fiscal 2013
Balance at beginning of Fiscal Year		
Treppel Credit Line	\$600,000	\$—
Treppel Note Payable	—	—
Hakim Credit Line	—	—
Mikah Note Payable	—	—
Total at beginning of Fiscal Year	600,000	—
Draws on Credit Line and Issuance of Notes		
Treppel Credit Line		600,000
Treppel Note Payable	600,000	—
Hakim Credit Line	528,750	—
Mikah Note Payable	10,000,000	—
Credit Line Repayments and Retirement of Notes		
Treppel Credit Line	(600,000 )	—
Treppel Note Payable	(600,000 )	—
Hakim Credit Line	—	—
Mikah Note Payable	(10,000,000)	—
Balance at the end of the Fiscal Year		
Treppel Credit Line	—	600,000
Treppel Note Payable	—	—
Hakim Credit Line	528,750	—
Mikah Note Payable	—	—
Total at end of Fiscal Year	\$528,750	\$600,000

#### **NOTE 9 - LEASES OF RENTAL PROPERTIES**

The following leases for rental properties were operative during the year ended March 31, 2013:

	135 Ludlow Ave
	(see note 11)
Effective Date	July 1, 2010



Termination Date	December 31, 2015
Lease term	5 years with 2 tenant renewal options for 5 years each
Rent expense for the 2013 Fiscal Year	\$90,338
Rent expense for the 2014 Fiscal Year	\$33,820
Minimum 5 Year Lease Payments <sup>(a)</sup>	
Fiscal year ended March 31, 2015	85,344
Fiscal year ended March 31, 2016 <sup>(b)</sup>	65,196
	\$150,540

F-22

- Minimum lease payments are exclusive of additional expenses related to certain expenses incurred in the operation and maintenance of the premises, including, without limitation, real estate taxes and common area charges which may be due under the terms and conditions of the lease, but which are not quantifiable at the time of filing of this annual report on Form 10-K
- (b) Minimum lease payments calculated for the initial term of the lease only, with such initial term expiring on December 31, 2015.

Rent expense related to the operating lease at 135 Ludlow was recorded using the straight line method and summarized as follows:

**Summary  
of Rent  
Expense –  
135  
Ludlow  
Avenue**

	Fiscal Year Ended March 31, 2014	Fiscal Year Ended March 31, 2013
Rent Expense	\$ 33,820	\$ 90,338
Actual lease payments	83,259	81,228
Increase in deferred rent liability	7,079	9,110
Adjustments to deferred rent liability	(56,518 )	—
Balance of deferred rent liability	18,824	68,263

**NOTE 10 - LEASE OF 135 LUDLOW AVENUE**

The Company entered into a lease for a portion of a one-story warehouse, located at 135 Ludlow Avenue, Northvale, New Jersey, consisting of approximately 15,000 square feet of floor space. The lease term began on July 1, 2010 and is classified as an operating lease.

The lease includes an initial term of 5 years and 6 months and the Company has the option to renew the lease for two additional 5 year terms. The property related to this lease will be used for the storage of pharmaceutical finished goods, raw materials, equipment and documents as well as pharmaceutical manufacturing, packaging and distribution activities.

This property required significant leasehold improvements and qualification as a prerequisite to achieving suitability for such intended future use and in January 2013, the Company began shipping commercial product that was manufactured and packaged at the 135 Ludlow Avenue facility.

Please refer to Note 10 of these financial statements for details on minimum lease payments, rent expense and deferred rent liabilities.

F-23

**NOTE 11 - LEASE TERMINATION COSTS - 135 LUDLOW AVENUE**

The lease for the property located at 135 Ludlow Avenue, Northvale NJ, includes a requirement that, at termination, the Company return the property to its condition at the inception of the lease, with normal wear and tear excepted. Such requirement accordingly represents an unconditional obligation associated with the retirement of a long-lived asset and subject to ASC 410 of the Codification. The Company estimates such costs would amount to \$50,000, at lease termination, and pursuant to ASC 410 has recorded a liability and offsetting asset equal to the present value, at lease inception, of such obligation. This liability is accreted over the term of the lease (including extensions), using the interest method.

**NOTE 12 - DEFERRED REVENUES**

Deferred revenues in the aggregate amount of \$152,223, consisting of a current component of \$13,333 and a long term component of \$138,890 represents the unamortized amount of a \$200,000 advance payment received for a licensing agreement with a fifteen year term beginning in September 2010 and ending in August 2025. The advance payment was recorded as deferred revenue when received and is earned, on a straight line basis over the fifteen year life of the license. The current component is equal to the amount of revenue to be earned during the 12 month period immediately subsequent to the balance date and the long term component is equal to the amount of revenue to be earned thereafter.

**NOTE 13 - PREFERRED SHARE DERIVATIVE INTEREST PAYABLE**

Preferred share derivative interest payable as of March 31, 2014 was zero.

Preferred share derivative interest payable as of March 31, 2013 consisted of \$27,500 in derivative interest accrued as of March 31, 2013. The full amount of derivative interest payable as of March 31, 2013 was paid via the issuance of 358,663 shares of Common Stock, in lieu of cash, in April 2013.

**NOTE 14 - DERIVATIVE LIABILITIES – PREFERRED SHARES**

Accounting Standard Codification “ASC” 815 – *Derivatives and Hedging*, which provides guidance on determining what types of instruments or embedded features in an instrument issued by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in the pronouncement on accounting for derivatives. These requirements can affect the accounting for warrants and convertible preferred instruments issued by the Company. As the conversion features within, and the detachable warrants issued with the Company’s Series B, Series C, Series E and Series I Preferred Stock, do not have fixed settlement provisions because their conversion and exercise prices may be lowered if the Company issues securities at lower prices in the future, we have concluded that the instruments are not indexed to the Company’s stock and are to be treated as derivative liabilities.

The Preferred Stock Derivative Liabilities are measured at fair market value, using the market approach and a level 1 fair value hierarchy, on a recurring basis as of March 31, 2014 and March 31, 2013, in accordance with the valuation techniques discussed in ASC 820.

**Preferred Stock Derivative Liabilities – Fiscal 2014**

	Series C	Series E	Series I	Total
Preferred Shares Authorized	—	—	500	500
Preferred shares Outstanding as of March 31, 2014	—	—	104,242	104,242
Underlying common shares into which Preferred may convert	—	—	148,917,143	148,917,143
Closing price on valuation date			\$0.41	\$0.41
Preferred stock derivative liability at March 31, 2014	\$ -0-	\$ -0-	\$60,981,570	\$60,981,570
Change in preferred stock derivative liability for Fiscal 2014				\$56,518,425

The change of \$56,518,425 in value of the preferred stock derivative liability occurring during Fiscal 2014 is included in the amount reported in the “Other Income/(Expense)” section of the statement of operations. Increases in value are reported as other expenses and decreases in value are reported as other income. During Fiscal 2014 there was a net increase in the value of the preferred stock derivative liability, so therefore the amount shown above represents another expense item on the income statement.

**Preferred Stock Derivative Liabilities – Fiscal 2013**

	Series C	Series E	Total
Preferred Shares Authorized	3,200	4,000	7,200
Preferred shares Outstanding as of March 31, 2013	1,375	1,800	3,175
Underlying common shares into which Preferred may convert	9,166,669	74,074,075	83,240,744
Closing price on valuation date	\$0.0761	\$0.0761	\$0.0761
Preferred stock derivative liability at March 31, 2013	\$697,584	\$5,637,037	\$6,334,621

Change in preferred stock derivative liability for Fiscal 2013	\$561,684
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The change of \$561,684 in value of the preferred stock derivative liability occurring during Fiscal 2013 is included in the amount reported in the “Other Income/(Expense)” section of the statement of operations. Increases in value are reported as other expenses and decreases in value are reported as other income. During Fiscal 2013 there was a net increase in the value of the preferred stock derivative liability, so therefore the amount shown above represents another expense item on the income statement.

F-25

**NOTE 15 - DERIVATIVE LIABILITIES - WARRANTS**

To date, the Company has authorized the issuance of Common Stock Purchase Warrants, with terms of five to seven years, to various corporations and individuals, in connection with the sale of securities, loan agreements and consulting agreements. Exercise prices range from \$0.0625 to \$0.25 per warrant. The warrants expire at various times through April 25, 2018.

A summary of warrant activity for the fiscal years indicated below is as follows:

	Fiscal Year 2014		Fiscal Year 2013	
	Warrant Shares	Weighted Average Exercise Price	Warrant Shares	Weighted Average Exercise Price
Balance at beginning of year	139,344,939	\$ 0.08	161,478,979	\$ 0.09
Warrants issued	—	—	—	\$ 0.06
Warrant exercises, forfeited or expired	37,201,848	\$ 0.09	22,134,040	\$ 0.20
Ending Balance	102,143,091	\$ 0.06	139,344,939	\$ 0.08

Accounting Standard Codification “ASC” 815 – *Derivatives and Hedging*, which provides guidance on determining what types of instruments or embedded features in an instrument issued by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in the pronouncement on accounting for derivatives. These requirements can affect the accounting for warrants and convertible preferred instruments issued by the Company. As the conversion features within, and the detachable warrants issued with the Company’s Series B, Series C, and Series E Preferred Stock, do not have fixed settlement provisions because their conversion and exercise prices may be lowered if the Company issues securities at lower prices in the future, we have concluded that the instruments are not indexed to the Company’s stock and are to be treated as derivative liabilities.

The Warrant Derivative Liabilities are measured at fair market value, using the market approach and a level 3 fair value hierarchy, on a recurring basis as of March 31, 2014 and March 31, 2013, in accordance with the valuation



techniques discussed in ASC 820.

The portion of derivative liabilities related to outstanding warrants was valued using the Black-Scholes option valuation model, a level 3 fair value hierarchy using the following assumptions:

	March 31 2014	March 31 2013
Risk-Free interest rate	.05% - 1.32%	.04% - .77%
Expected volatility	111% - 207%	106% - 168%
Expected life (in years)	0.3 – 4.1	0.5 – 5.1
Expected dividend yield	—	—
Number of warrants	102,143,091	139,344,939
 Fair value – Warrant Derivative Liability	 \$38,103,446	 \$7,862,848
 Change in warrant derivative liability for the twelve months ended	 \$32,997,869	 \$(4,089,491 )

The risk free interest rate was based on rates established by the US Treasury Department. The expected volatility was based on the historical volatility of the Company's share price for periods equal to the expected life of the outstanding warrants at each valuation date. The expected dividend rate was based on the fact that the Company has not historically paid dividends on common stock and does not expect to pay dividends on common stock in the future.

The changes of 32,997,869 and \$(4,089,491) in value of the warrant derivative liability occurring during the years ended March 31, 2014 and 2013, respectively, are included in the amounts reported in the "Other Income/(Expense)" section of the statement of operations. Increases in value are reported as other expenses and decreases in value are reported as other income.

The following table summarizes, as of March 31, 2014, the warrant activity subject to Level 3 inputs which are measured on a recurring basis:

Fair value measurements of warrants using significant unobservable inputs

(Level 3)

	Fiscal 2014	Fiscal 2013
Balance at Beginning of Fiscal Year	\$7,862,848	\$11,987,222
Warrants Issued	—	—
Warrants Exercised	(8,392,452 )	(707,216 )
Change in fair value of warrant liability	33,527,473	(3,417,158 )
Balance at End of Fiscal Year	\$32,997,869	\$7,862,848

#### **NOTE 16 - BENEFICIAL CONVERSION FEATURES OF SERIES E PREFERRED SHARES**

The Series E Preferred shares include an option, exercisable from the issuance date, to convert to common shares at prices which were less than the market price of the Company's Common Stock on the date such Series E Preferred shares were issued. The difference between the share price and option price represents a beneficial conversion feature existing on the issue date.

In accordance with GAAP, the beneficial conversion feature was valued separately and allocated to additional paid in capital. The valuations were calculated using the relative fair value method allocating the proceeds from each issuance

of the Series E Preferred shares to the conversion option and detachable warrants, if such warrants were included with an issuance.

The beneficial conversion option is then required to be recognized as a discount and amortized over a period that begins on the date of issuance and ends on the earliest conversion date. As the conversion options were exercisable on their issue date, the full value assigned to the conversion option was immediately amortized and charged to interest expense.

The Company did not issue any shares of Series E Preferred Stock during Fiscal 2014.

F-27

During Fiscal 2013, the Company issued a total of 437.5 shares of Series E Preferred Stock which included a conversion option at a price that was less than the market price of the Company's Common Stock on the date of issuance of the Series E Preferred Stock.

The valuation of the beneficial conversion feature, and detachable warrants, where applicable, for Series E Preferred Share issuances during Fiscal 2014 and Fiscal 2013 is summarized as follows:

	Fiscal 2014	Fiscal 2013
Series E Shares Issued	—	437.5
Detachable Warrants Issued	—	—
Gross Proceeds Received	—	\$ 437,500
Gross Valuation of Warrants Issued	—	—
Gross Valuation of Beneficial Conversion	—	\$ 437,500
Proceeds Allocated to Warrants	—	—
Proceeds Allocated to Beneficial Conversion Feature	—	\$ 437,500
Total Allocation of Proceeds	\$ -0-	\$ 437,500

#### **NOTE 17 - COMMON STOCK**

During Fiscal Years 2014 and 2013, the Company issued a total of 185,748,471 shares and 42,844,221 shares of Common Stock, respectively, with such issuances of Common Stock being summarized as follows:

Description	Fiscal Year 2014	Fiscal Year 2013
Common shares sold pursuant to the Lincoln Park Capital Purchase Agreement, with net proceeds of such shares totaling \$10,000,000 and zero in Fiscal 2014 and Fiscal 2013, respectively.	65,143,216	—
Common shares issued as commitment shares pursuant to the Lincoln Park Capital Purchase Agreement	5,858,230	—
Common Shares issued in lieu of cash payment in payment of preferred share derivative interest expenses totaling \$68,089 and \$182,684 for Fiscal 2014 and Fiscal 2013, respectively	878,543	1,860,943
Common Shares issued pursuant to the conversion of Series B, Series C, and Series E Convertible Preferred Share derivatives, with such derivative liabilities totaling	91,796,043	29,863,563

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\$9,825,066 and \$3,170,670, for Fiscal 2014 and Fiscal 2013, respectively, at the time of their conversion.

Common Shares issued in payment of Director's fees totaling \$110,000 and \$96,047 for Fiscal 2014 and Fiscal 2013, respectively	1,210,583	1,200,588
Common shares issued in payment of employee salaries totaling \$368,233 and \$50,072 for Fiscal 2014 and Fiscal 2013, respectively.	3,439,467	625,900
Common shares issued in payment of consulting expenses totaling \$18,472 and zero for Fiscal 2014 and Fiscal 2013, respectively	210,018	—
Common shares issued pursuant to warrants exercised	16,904,038	9,293,227
Common shares issued pursuant to options exercised	308,333	—
Total Common Shares issued during Fiscal 2014 and 2013	185,748,471	42,844,221
Common Shares issued at March 31,	560,242,430	374,493,959

F-28

**NOTE 18 - PER SHARE INFORMATION**

Basic earnings per share of common stock ("Basic EPS") is computed by dividing the net income(loss) by the weighted-average number of shares of common stock outstanding. Diluted earnings per share of common stock ("Diluted EPS") is computed by dividing the net income(loss) by the weighted-average number of shares of common stock and dilutive common stock equivalents and convertible securities then outstanding. GAAP requires the presentation of both Basic EPS and Diluted EPS, if such Diluted EPS is not anti-dilutive, on the face of the Company's Consolidated Statements of Operations. As the Company had a net loss for Fiscal Year 2014, Diluted EPS is not presented as the effect of the Company's common stock equivalents and convertible securities is anti-dilutive.

**Basic EPS is calculated as follows:**

	Fiscal Year 2014	Fiscal Year 2013
Numerator		
Net Income (Loss) attributable to common shareholders	\$(96,575,271 )	\$1,487,928
Denominator		
Weighted average shares of common stock outstanding	463,021,991	349,075,642
Net (Loss) per Share – Basic	\$(0.21 )	\$0.00

**Potentially dilutive securities excluded from the calculation of diluted loss per share for Fiscal 2014 ( in accordance with GAAP)**

Stock Options	174,359
Convertible Preferred Stock	148,917,143
Warrants	15,782,718

**Diluted EPS (for Fiscal 2013) is calculated as follows:**

	Fiscal Year 2013
Numerator	
Net Income attributable to common shareholders	\$1,487,928
Adjustments to Net Income	
Reversal of Change in Value of Preferred Share Derivatives	561,684
Reversal of Change in Value of Warrant Derivatives	(4,089,491 )
Reversal of Derivative Interest Expense	139,219
Net loss attributable to common shareholders on a diluted basis	\$(1,900,660 )
Denominator	
Weighted average shares of common stock outstanding	349,075,642
Dilutive effects of convertible preferred stock, warrants and options	
Convertible preferred Stock	83,240,744
Warrants	94,421,813
Stock Options	141,919
Weighted average shares outstanding – diluted	526,880,118
Diluted EPS	\$(0.00 )

**NOTE 19 - STOCK-BASED COMPENSATION**

Part or all of the compensation paid by the Company to its Directors and employees consists of the issuance of Common Stock or via the granting of options to purchase Common Stock

**Stock-based Director Compensation**

The Company's Director compensation policy instituted in October 2009 includes provisions that Director's fees are to be paid via the issuance of shares of the Company's Common Stock, in lieu of cash, with the valuation of such shares being calculated on a quarterly basis and equal to the average closing price of the Company's common stock for the quarter just ended.

During Fiscal 2014, the Company issued 1,210,583 shares of Common Stock to its Directors in payment of Director's fees in the aggregate amount of \$110,000 and related to the calendar year ending on December 31, 2013. Please note that the shares issued during Fiscal 2014, include those shares owed and not yet issued at the end of Fiscal Year 2013.

During Fiscal 2013, the Company issued 1,200,588 shares of Common Stock to its Directors in payment of Director's fees in the aggregate amount of \$130,000 and related to the calendar year ending on December 31, 2012. Please note that the shares issued during Fiscal 2013, include those shares owed and not yet issued at the end of Fiscal Year 2012.



As of March 31, 2014, the Company owes its Directors a total of 69,679 shares of Common Stock in payment of Directors Fees totaling \$27,500 for the three months ended March 31, 2014. The Company anticipates that these shares of Common Stock will be issued during the fiscal year ended March 31, 2015.

#### Stock-based Employee Compensation

Employment contracts with the Company's President and Chief Executive Officer, Chief Financial Officer and certain other employees includes provisions for a portion of each employees salaries to be paid via the issuance of shares of the Company's Common, in lieu of cash, with the valuation of such shares being calculated on a quarterly basis and equal to the average closing price of the Company's common stock for the quarter just ended.

During Fiscal Year 2014, the Company issued a total of 3,439,467 shares of Common Stock to its President and Chief Executive Officer, Chief Financial Officer and certain other employees in payment of salaries in the aggregate amount of \$368,233 and related to the period calendar year ended December 31, 2013. Please note that the shares issued during Fiscal 2014, include those shares owed and not yet issued at the end of Fiscal 2013.

During Fiscal Year 2013, the Company issued a total of 625,900 shares of Common Stock to its President, Chief Financial Officer and certain other employees in payment of salaries in the aggregate amount of \$67,917 and related to the period calendar year ended December 31, 2012. On the date of their issuance, the Common Shares had a value of \$50,072, based upon the closing price of the Company's Common Stock on such date. Please note that the shares issued during Fiscal 2013, include those shares owed and not yet issued at the end of Fiscal 2012.

As of March 31, 2014, the Company owes its President and Chief Executive Officer, Chief Financial Officer and certain other employees a total of 502,883 shares of Common Stock in payment of salaries totaling \$198,481 for the three months ended March 31, 2014, with such amount being recorded in accrued expenses. The Company anticipates that these shares of Common Stock will be issued during the fiscal year ended March 31, 2015.

#### Stock option based Employee Compensation

During Fiscal 2014, the Company issued, to various employees, options to purchase a total of 3,000,000 shares Common Stock, in aggregate (the "2014 Options"). The 2014 Options have an exercise price of \$0.07 per share, vest equally over a three year period which commences one year from the date of grant and expire ten years from the date of grant. The fair value of the 2014 Options was \$202,497, computed using the Black-Scholes options pricing model on the grant date. Such fair value is being amortized by the Company, on a straight line basis, over the vesting period and recorded on the Company's Statement of Income as "Non-cash compensation through the issuance of stock options".

During Fiscal 2013, the Company issued, to various employees, options to purchase a total of 985,000 shares Common Stock, in aggregate (the “2013 Options”). The 2013 Options have an exercise price of \$0.12 per share, vest equally over a three year period which commences one year from the date of grant and expire ten years from the date of grant. The fair value of the 2013 Options was \$113,842, computed using the Black-Scholes options pricing model on the grant date. Such fair value is being amortized by the Company, on a straight line basis, over the vesting period and recorded on the Company’s Statement of Income as “Non-cash compensation through the issuance of stock options”.

F-31

During the year ended March 31, 2010 (“Fiscal 2010”) the Company issued, to various employees, options to purchase a total of 1,000,000 shares of Common Stock, in aggregate (the “2010 Options”). The 2010 Options have an exercise price of \$0.10, vest over a three year period which commences one year from the date of grant and expire ten years from the date of grant. The fair value of the 2010 Options was \$93,452, computed using the Black-Scholes options pricing model on the grant date. Such fair value is being amortized by the Company, on a straight line basis, over the vesting period, and recorded on the Company’s Statement of Income as “Non-cash compensation through the issuance of stock options”.

Stock option based employee compensation is summarized as follows:

	Fiscal Year 2014	Fiscal Year 2013
Non-cash compensation expense related to the 2010 Options	\$ -0-	\$ 17,405
Non-cash compensation expense related to the 2013 Options	37,947	28,461
Non-cash compensation expense related to the 2013 Options	45,000	—
Total non-cash compensation through the issuance of stock options	\$ 82,947	\$ 45,866

#### **NOTE 20 - STOCK OPTION PLANS**

Under its 2014 Stock Option Plan and prior options plans, the Company may grant stock options to officers, selected employees, as well as members of the Board of Directors and advisory board members. All options have generally been granted at a price equal to or greater than the fair market value of the Company’s Common Stock at the date of the grant. Generally, options are granted with a vesting period of up to three years and expire ten years from the date of grant.

Transactions under the plans for the years indicated were as follows:

	Fiscal Year 2014		Fiscal Year 2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	3,939,000	\$ 1.18	2,999,000	\$ 1.53
Options Granted	3,000,000	\$ 0.07	985,000	\$ 0.12

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Options Exercised	308,333	\$ 0.08	—	—
Options Expired/Forfeited	1,195,000	\$ 1.60	(45,000 )	\$ 1.59
Outstanding at end of year	5,435,667	\$ 0.54	3,939,000	\$ 1.18

F-32

The following table summarizes information about stock options outstanding at March 31, 2014:

Range	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$ 0.01 – 1.00	4,206,667	8.8	\$ 0.08	666,666	\$ 0.11
1.01 – 2.00	99,000	3.8	\$ 1.08	99,000	\$ 1.08
2.01 – 3.00	1,130,000	2.7	\$ 2.18	1,130,000	\$ 2.18
\$ 0.01 – 3.00	5,435,667	7.4	\$ 0.54	1,895,666	\$ 1.39

As of March 31, 2014, there were 9,389,684 options available for future grant under our Stock Option Plans.

## **NOTE 21 - INCOME TAXES**

The components of the credit for income taxes are as follows:

	Year Ended March 31,	
	2014	2013
Federal:		
Current	\$ —	\$ —
Deferred	—	—
State		
Current	\$ (3,099 )	\$ (6,099 )
Deferred		—
Sale of New Jersey Net Operating Losses	295,710	359,817
Net Credit for Income Taxes	\$ 292,611	\$ 353,718

The Major components of deferred tax assets and liabilities at March 31, 2014 and 2013 are as follows (amounts in thousands of dollars):

March 31,  
2014      2013

Federal

Net Operating Loss Carry forward	\$ 19,886	\$ 17,968
Valuation Allowance	\$(19,886)	(17,968)
	\$ —	\$ —

State

Net Operating Loss Carryforwards	\$ 2,599	\$ 2,420
Valuation Allowance	\$(2,599 )	(2,420 )
	\$ —	\$ —

F-33

At March 31, 2014 and 2013, a 100% valuation allowance is provided, as it is uncertain if the deferred tax assets will provide any future benefits because of the uncertainty about the Company's ability to generate the future taxable income necessary to use the net operating loss carryforwards.

## **NOTE 22 - CONCENTRATIONS**

### Revenue Concentrations

Ten customers accounted for substantially all of the Company's revenues for Fiscal 2014. Included in these ten customers are three customers that accounted for approximately 88 percent of revenues for Fiscal 2014.

Six customers accounted for substantially all of the Company's revenues for Fiscal 2013. Included in these six customers are three customers that accounted for approximately 90 percent of revenues for Fiscal 2013.

### Accounts Receivable Concentrations

Five customers accounted for substantially all of the Company's accounts receivable as of March 31, 2014. Included in these five customers are three customers that accounted for approximately 83% of accounts receivable as of March 31, 2014.

Four customers accounted for substantially all of the Company's accounts receivable as of March 31, 2013. Included in these four customers are two customers that accounted for approximately 92% of accounts receivable as of March 31, 2013.

### Purchasing Concentrations

Seven suppliers accounted for more than 80% of the Company's purchases of raw materials for Fiscal 2014. Included in these seven suppliers are two suppliers that accounted for approximately 52% of raw material purchases for Fiscal 2014.

Four suppliers accounted for more than 80% of the Company's purchases of raw materials for Fiscal 2013. Included in these seven suppliers are two suppliers that accounted for approximately 70% of raw material purchases for Fiscal 2014.

**NOTE 23 RELATED PARTY TRANSACTION-STRATEGIC ALLIANCE WITH EPIC PHARMA LLC and  
- EPIC INVESTMENTS LLC**

On March 18, 2009, the Company entered into the Epic Strategic Alliance Agreement with Epic Pharma, LLC and Epic Investments, LLC, a subsidiary controlled by Epic Pharma LLC, as disclosed in this Annual Report Form 10-K under Item 7 of Part II of this Annual Report on Form 10-K, under the heading “Epic Strategic Alliance Agreement,” Item 9B and Item 10, under the heading “Directors and Executive Officers,” and in our Current Reports on Form 8-K, filed with the SEC on March 23, 2009, May 6, 2009 and June 5, 2009, which disclosures are incorporated herein by reference. Ashok G. Nigalaye, Jeenarine Narine and Ram Potti, each were elected as members of our Board of Directors, effective June 24, 2009, as the three directors that Epic is entitled to designate for appointment to the Board pursuant to the terms of the Epic Strategic Alliance Agreement. Mr. Potti resigned from his position as Director of the Company on December 31, 2012. Messrs. Nigalaye, Narine and Potti are also officers of Epic Pharma, LLC, in the following capacities:

F-34



· Mr. Nigalaye, Chairman and Chief Executive Officer of Epic Pharma, LLC;  
· Mr. Narine, President and Chief Operating Officer of Epic Pharma, LLC;  
· Mr. Potti, Vice President of Epic Pharma, LLC.

As part of the operation of the strategic alliance, the Company and Epic identified areas of synergy, including, without limitation, raw materials used by both entities, equipment purchases, contract manufacturing/packaging and various regulatory and operational resources existing at Epic that could be utilized by the Company.

With regards to synergies related to raw materials usage, the strategic alliance allowed the Company to purchase such raw materials from Epic, at the Epic acquisition cost, without markup. In all cases, the acquisition cost of Epic was lower than those costs available to the Company, mainly as a result of efficiencies of scale generated by significantly larger volumes purchased by Epic during the course of their normal operations. During Fiscal 2014 and Fiscal 2013, an aggregate amount of \$9,009 and \$71,480, respectively, in such materials was purchased from Epic Pharma LLC. All purchases were at Epic Pharma's acquisition cost, without markup and evidenced by supporting documents of Epic Pharma LLC's acquisition cost.

With regards to synergies related to regulatory and operational resources, the strategic alliance allowed the Company to utilize Epic's substantial resources and technical competencies on an "as needed" basis at a cost equal to Epic's actual cost for only the resources utilized by the Company. Without such access to Epic's resources, the Company would have to invest significant amounts in human resources and fixed assets as well as incur substantial costs with third party providers to provide the same resources provided by Epic and necessary for the operations of the Company.

During Fiscal 2014, an aggregate amount of \$30,835 was paid to Epic as reimbursement for costs associated with facility maintenance, engineering and regulatory resources utilized by the Company. During Fiscal 2013, an aggregate amount of \$31,354 was paid to Epic as reimbursement for costs associated with facility maintenance, engineering and regulatory resources utilized by the Company.

During Fiscal 2014, the Company incurred a total of \$29,668 in contract manufacturing and/or packaging costs to Epic Pharma for the Company's Phentermine, Hydromorphone, Methadone and Immediate Release Lodrane products. During Fiscal 2013, the Company incurred a total of \$362,347 in these costs.

Total purchases from Epic by the Company during the fiscal years ended March 31, 2014 and 2013 were \$69,512 and \$465,181, respectively.

The Epic Strategic Alliance Agreement expired on June 4, 2012.

F-35

**NOTE 24 - RELATED PARTY TRANSACTION-MANUFACTURING and LICENSE AGREEMENT WITH EPIC PHARMA LLC**

On October 2, 2013, Elite executed the Epic Pharma Manufacturing and License Agreement. This agreement granted Epic Pharma certain rights to manufacture, market and sell in the United States and Puerto Rico the 12 approved ANDAs acquired by Elite pursuant to the Mikah Purchase Agreement. Of the 12 approved ANDAs, Epic Pharma will have the exclusive right to market six products as listed in Schedule A of the Epic Pharma Manufacturing and License Agreement, and a non-exclusive right to market six products as listed in Schedule D of the Epic Pharma Manufacturing and License Agreement. Epic Pharma is responsible for all regulatory and pharmacovigilance matters related to the products and for all costs related to the site transfer for all products. Pursuant to the Epic Pharma Manufacturing and License Agreement, Elite will receive a license fee and milestone payments. The license fee will be computed as a percentage of the gross profit, as defined in the Epic Pharma Manufacturing and License Agreement, earned by Epic Pharma a result of sales of the products. The manufacturing cost used for the calculation of the license fee is a predetermined amount per unit plus the cost of the drug substance (API) and the sales cost for the calculation is predetermined based on net sales. If Elite manufactures any product for sale by Epic Pharma, then Epic Pharma shall pay to Elite that same predetermined manufacturing cost per unit plus the cost of the API. The license fee is payable monthly for the term of the Epic Pharma Manufacturing and License Agreement. Epic Pharma shall pay to Elite certain milestone payments as defined by the Epic Pharma Manufacturing and License Agreement. The first milestone payment of \$600,000 has been paid. Subsequent milestone payments are due upon the filing of each product's supplement with the FDA, and the FDA approval of site transfer for each product as specifically itemized in the Epic Pharma Manufacturing and License Agreement. The filing of the supplement with the FDA for Isradipine 2.5mg and Isradipine 5mg was made on March 24, 2014 and accordingly a milestone of \$200,000 has been earned and is due and owing from Epic Pharma to Elite. The term of the Epic Pharma Manufacturing and License Agreement is five years and may be extended for an additional five years upon mutual agreement of the parties. Twelve months following the launch of a product covered by the Epic Pharma Manufacturing and License Agreement, Elite may terminate the marketing rights for any product if the license fee paid by Epic Pharma falls below a designated amount for a six month period of that product. Elite may also terminate the exclusive marketing rights if Epic Pharma is unable to meet the annual unit volume forecast for a designated product group for any year, subject to the ability of Epic Pharma, during the succeeding six month period, to achieve at least one-half of the prior year's minimum annual unit forecast. The Epic Pharma Manufacturing and License Agreement may be terminated by mutual agreement of Elite and Epic Pharma, as a result of a breach by either party that is not cured within 60 days notice of the breach, or by Elite as a result of Epic Pharma becoming a party to a bankruptcy, reorganization or other insolvency proceeding that continues for a period of 30 days or more.

**NOTE 25 - TRANSACTIONS WITH RELATED PARTIES – NASRAT HAKIM AND MIKAH PHARMA LLC**

On August 1, 2013, Elite Laboratories Inc. ("Elite Labs"), our wholly owned subsidiary, executed an asset purchase agreement (the "Mikah Purchase Agreement") with Mikah Pharma LLC ("Mikah"), an entity that is wholly owned by Mr. Nasrat Hakim, who, in conjunction with this transaction, was appointed as our Chief Executive Officer, President and a Director on August 2, 2012, and acquired from Mikah a total of 13 Abbreviated New Drug Applications ("ANDAs") consisting of 12 ANDAs approved by the FDA and one ANDA under active review with the FDA, and all amendments thereto (the "Acquisition") for aggregate consideration of \$10,000,000, inclusive of imputed interest payable pursuant to a non-interest bearing, secured convertible note due in August 2016 (the "Mikah Note"). The Mikah Note was amended on February 7, 2014 to make it convertible into shares of the Company's Series I Convertible Preferred Stock.

The Mikah Note, as amended, was interest free and due and payable on the third anniversary of its issuance. Subject to certain limitations, the principal amount of the Mikah Note was convertible at the option of Mikah into shares of Common Stock at a rate of \$0.07 (approximately 14,286 shares per \$1,000 in principal amount), the closing market price of the Company's Common Stock on the date that the asset purchase agreement and Note were executed and/or into shares of the Company's Series I Convertible Preferred Stock at the rate of 1 share of Series I Preferred Stock for each \$100,000 of principal owed on the Mikah Note. The conversion rate was adjustable for customary corporate actions such as stock splits and, subject to certain exclusions, includes weighted average anti-dilution for common stock transactions at prices below the then applicable conversion rate. Pursuant to a security agreement (the "Security Agreement"), repayment of the Mikah Note was secured by the ANDAs acquired in the Acquisition.

On February 7, 2014, Mikah converted the principal amount of \$10,000,000, representing the entire principal balance due under the Mikah Note, into 100 shares of the Company's Series I Preferred Stock.

On August 27, 2010, Elite executed an asset purchase with Mikah (the "Naltrexone Agreement"). Pursuant to the Naltrexone Agreement, Elite acquired from Mikah the Abbreviated New Drug Application number 75-274 (Naltrexone Hydrochloride Tablets USP, 50 mg), and all amendments thereto (the "ANDA"), that have to date been filed with the FDA seeking authorization and approval to manufacture, package, ship and sell the products described in the ANDA within the United States and its territories (including Puerto Rico) for aggregate consideration of \$200,000. In lieu of cash, Mikah agreed to accept from Elite product development services to be performed by Elite. A current report on form 8-K was filed on August 27, 2010 in relation to this announcement, such filing being incorporated herein by this reference. Please also refer to exhibit 10.5 of the Quarterly Report on Form 10-Q filed with SEC on November 15, 2010, such filing being incorporated herein by this reference.

The manufacturing of Naltrexone 50mg was successfully transferred to the Company's Northvale facility, and the first commercial shipment of this product was made in September 2013.

As of March 31, 2014, the product development services referenced in the Naltrexone Agreement have not been completed and the \$200,000 owed to Mikah was accrued as a liability as of March 31, 2014.

During Fiscal 2014, the Company purchased from Mikah Pharma, active pharmaceutical ingredients used by the Company in its current commercial manufacturing operations, at Mikah's cost, without markup. Such purchases totaled \$75,600, with the funds being provided by Nasrat Hakim and included as draws against the Hakim Credit Line.

During Fiscal 2014, the Company purchased from Mikah Pharma, manufacturing equipment used by the Company in its current commercial manufacturing operations and product development activities at Mikah's cost, without markup. Such equipment purchases totaled \$110,00, with the funds being provided by Nasrat Hakim and included as draws against the Hakim Credit Line.

**NOTE 26 - CONVERSIONS OF PREFERRED STOCK DERIVATIVES TO COMMON STOCK**

The Amended Certificate of Designations of the Series B 8% Convertible Preferred Stock of Elite Pharmaceuticals (the “Series B Preferred Derivatives”), the Series C 8% Convertible Preferred Stock of Elite Pharmaceuticals (the “Series C Preferred Derivatives”), the Series E Convertible Preferred Stock Derivatives (the “Series E Preferred Derivatives”), the Series G 8% Convertible Preferred Stock of Elite Pharmaceuticals (the “Series G Preferred Derivatives”), and the Series I Convertible Preferred Stock Derivatives (the “Series I Preferred Derivatives”, and together with the Series B Preferred Derivatives, the Series C Preferred Derivatives, the Series E Preferred Derivatives, and the Series G Preferred Derivatives, the “Preferred Derivatives”) include provisions entitling the holders of these Preferred Derivatives to convert shares of the Preferred Derivatives into shares of Common Stock. The Preferred Derivatives are classified as a liability to the Company, and the liability represented by those shares of Preferred Derivatives being converted must be valued at the time of such conversion, with increases/(decreases) in the value of preferred share derivative liabilities being appropriately recorded and reflected in the Other Income section of the Company’s Statement of Operations. The amount of equity recorded as a result of the conversion of Preferred Derivatives is equal to the value of such Preferred Derivatives being converted, at the time of the conversion, with such amount also representing the decrease in the Preferred Share Derivative Liability on the Company’s Balance Sheet.

Conversions of Preferred Derivatives during Fiscal 2014 and Fiscal 2013, are summarized as follows:

	Fiscal 2014	Fiscal 2013
Series B Derivatives		
Number of Derivative Shares Converted	—	797
Number of Common Shares issued pursuant to conversion	—	5,310,387
Value of Preferred Derivative shares at time of conversion (represents decrease in derivative liability resulting from conversions)	—	690,350
Change in value of preferred share derivative liability recorded at time of conversion	—	212,415
Par value of Common Shares issued	—	5,310
Additional paid in capital recorded as a result of the conversions	—	685,040
Series C Preferred Derivatives		
Number of Derivative Shares Converted	24	1,291
Number of Common Shares issued pursuant to conversion	167,106	8,606,667
Value of Preferred Derivative shares at time of conversion (represents decrease in derivative liability resulting from conversions)	47,452	1,204,600
Change in value of preferred share derivative liability recorded at time of conversion	27,489	414,280
Par value of Common Shares issued	167	8,607
Additional paid in capital recorded as a result of the conversions	47,375	1,195,993
Please also note that during Fiscal 2014, a total of 1,351 shares of Series C Preferred		
*Derivatives were exchanged for 1,351 shares of Series G Preferred Derivatives, with		
such Series G shares having the same value as the Series C shares being exchanged.		
Series E Preferred Derivatives		
Number of Derivative Shares Converted	1,800	388
Number of Common Shares issued pursuant to conversion	74,074,074	15,946,502
Value of Preferred Derivative shares at time of conversion (represents decrease in derivative liability resulting from conversions)	7,888,066	1,275,720
Change in value of preferred share derivative liability recorded at time of conversion	2,652,675	—
Par value of Common Shares issued	74,074	15,947
Additional paid in capital recorded as a result of the conversions	7,813,991	1,259,774
Series G Preferred Derivatives		
Number of Derivative Shares Converted	1,351	—
Number of Common Shares issued pursuant to conversion	17,554,863	—
Value of Preferred Derivative shares at time of conversion (represents decrease in derivative liability resulting from conversions)	1,889,458	—
Change in value of preferred share derivative liability recorded at time of conversion	557,773	—
Par value of Common Shares issued	17,555	—
Additional paid in capital recorded as a result of the conversions	1,871,903	—
Total Preferred Derivatives		
Number of Derivative Shares Converted	3,175	2,475
Number of Common Shares issued pursuant to conversion	91,796,043	29,863,556
Value of Preferred Derivative shares at time of conversion (represents decrease in derivative liability resulting from conversions)	9,825,066	3,170,671
Change in value of preferred share derivative liability recorded at time of conversion	3,237,937	626,696
Par value of Common Shares issued	91,796	29,864
Additional paid in capital recorded as a result of the conversions	9,733,270	3,140,807

**NOTE 27        CONTINGENCIES**

On March 1, 2013, the Company did not renew its Directors and Officers insurance policy and the Company did not have a Directors and Officers insurance policy since that date. As of the date of filing this Annual Report on Form 10-K, management has not been notified any claims against the Company.

During Fiscal 2014, as part of the Company's efforts to ensure the retention and continuity of key employees, officers and directors in the event of a change of control of the ownership of the Company, the Board of Directors passed a resolution whereby, in the event of a change in control of the ownership of the Company, key executives would receive an amount equal to twelve months of such executive's salary, and certain Directors and managers would receive an amount equal to six months of such Director's or managers fees or salaries, as applicable. In addition, the resolution passed provided for the immediate vesting of outstanding options, in the event of a change of control.

F-39



## **NOTE 28 - RIGHTS PLAN**

On November 15, 2013, our board of directors declared a dividend distribution of one right for each outstanding share of our common stock and one right for each share of Common Stock into which any of our outstanding Preferred Stock is convertible, to stockholders of record at the close of business on that date. Each Right entitles the registered holder to purchase from us one “Unit” consisting of one one-millionth (1/1,000,000) of a share of Series H Junior Participating preferred stock, par value \$0.01 per share (the “H Preferred Stock”), at a purchase price of \$2.10 per Unit, subject to adjustment, and may be redeemed prior to November 15, 2023, the expiration date, at \$0.000001 per Right, unless earlier redeemed by the Company. The Rights generally are not transferable apart from the common stock and will not be exercisable unless and until a person or group acquires or commences a tender or exchange offer to acquire, beneficial ownership of 15% or more of our common stock. However, for Mr. Hakim, our Chief Executive Officer, the Rights Plan's the 15% threshold excludes shares beneficially owned by him as of November 15, 2013 and all shares issuable to him pursuant to his employment agreement and the Mikah Note. The description and terms of the Rights are set forth in a Rights Agreement (“Rights Agreement”) between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent. For more detailed information, please refer to the Registration Statement on Form 8-A filed with the SEC on November 15, 2013, and exhibits 1 (Rights Agreement) and 2 (Series H Junior Participating Preferred Stock Certificate of Designations) filed therewith, with such filings being herein incorporated by reference.

## **NOTE 29 - SUBSEQUENT EVENTS**

The Company has evaluated subsequent events from the balance sheet date through June 30, 2014, the date the accompanying financial statements were issued. The following are material subsequent events:

### **Lincoln Park Transaction**

On April 10, 2014, we entered into a purchase agreement (the “Purchase Agreement”), together with a registration rights agreement (the “Registration Rights Agreement”), with Lincoln Park Capital Fund, LLC (“Lincoln Park”).

Under the terms and subject to the conditions of the Purchase Agreement, the Company has the right to sell to and Lincoln Park is obligated to purchase up to \$40 million in shares of the Company’s common stock (“Common Stock”), subject to certain limitations, from time to time, over the 36-month period commencing on the date that a registration statement, which the Company agreed to file with the Securities and Exchange Commission (the “SEC”) pursuant to the Registration Rights Agreement, is declared effective by the SEC and a final prospectus in connection therewith is filed. The Company may direct Lincoln Park, at its sole discretion and subject to certain conditions, to purchase up to 500,000 shares of Common Stock on any business day, provided that at least one business day has passed since the most recent purchase, increasing to up to 800,000 shares, depending upon the closing sale price of the Common Stock (such purchases, “Regular Purchases”). However, in no event shall a Regular Purchase be more than \$760,000. The purchase price of shares of Common Stock related to the future funding will be based on the prevailing market prices of such shares at the time of sales, but in no event will shares be sold to Lincoln Park on a day the Common Stock closing price is less than the floor price as set forth in the Purchase Agreement. In addition, the Company may direct Lincoln Park to purchase additional amounts as accelerated purchases if on the date of a Regular Purchase the closing

sale price of the Common Stock is not below the threshold price as set forth in the Purchase Agreement. The Company's sales of shares of Common Stock to Lincoln Park under the Purchase Agreement are limited to no more than the number of shares that would result in the beneficial ownership by Lincoln Park and its affiliates, at any single point in time, of more than 9.99% of the then outstanding shares of the Common Stock.

F-40

In connection with the Purchase Agreement, the Company issued to Lincoln Park 1,928,641 shares of Common Stock and is required to issue up to 1,928,641 additional shares of Common Stock pro rata as the Company requires Lincoln Park to purchase the Company's shares under the Purchase Agreement over the term of the agreement. Lincoln Park represented to the Company, among other things, that it was an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act")), and the Company sold the securities in reliance upon an exemption from registration contained in Section 4(2) under the Securities Act. The securities sold may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The Purchase Agreement and the Registration Rights Agreement contain customary representations, warranties, agreements and conditions to completing future sale transactions, indemnification rights and obligations of the parties. The Company has the right to terminate the Purchase Agreement at any time, at no cost or penalty. Actual sales of shares of Common Stock to Lincoln Park under the Purchase Agreement will depend on a variety of factors to be determined by the Company from time to time, including, among others, market conditions, the trading price of the Common Stock and determinations by the Company as to the appropriate sources of funding for the Company and its operations. There are no trading volume requirements or restrictions under the Purchase Agreement. Lincoln Park has no right to require any sales by the Company, but is obligated to make purchases from the Company as it directs in accordance with the Purchase Agreement. Lincoln Park has covenanted not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of our shares.

The net proceeds under the Purchase Agreement to the Company will depend on the frequency and prices at which the Company sells shares of its stock to Lincoln Park. The Company expects that any proceeds received by the Company from such sales to Lincoln Park under the Purchase Agreement will be used for general corporate purposes and working capital requirements.

The foregoing descriptions of the Purchase Agreements and the Registration Rights Agreement are qualified in their entirety by reference to the full text of the Purchase Agreement and the Registration Rights Agreement, copies of which are attached to the Current Report on Form 8-K filed with the SEC on April 14, 2014 as Exhibit 10.1 and 10.2, respectively, and each of which is incorporated herein in its entirety by reference. The representations, warranties and covenants contained in such agreements were made only for purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with execution of the agreements.

A Registration Statement on Form S-1 was filed with the SEC in relation to this transaction with Lincoln Park and it was declared effective by the SEC as of May 1, 2014.

During the period beginning on April 1, 2014 through June 20, 2014, a total of 2,407,014 shares of Common Stock were sold to Lincoln Park pursuant to the Purchase Agreement, with the proceeds of such sales of Common Stock totaling \$896,613. An additional 43,232 shares of Common Stock were issued to Lincoln Park during this same period with such shares constituting additional commitment shares issued pursuant to the Purchase Agreement.

F-41

**2014 Annual Meeting of Shareholders**

The Company's 2014 Annual Meeting of Shareholders was held on May 21, 2014. The requisite quorum for the meeting of 50% was present. At the meeting, Shareholders voted to the amendment of the Company's Articles of Incorporation to increase the number of authorized shares of Common Stock from 690,000,000 shares to 995,000,000 shares. At the meeting, the Shareholders also voted to approve the Company's 2014 Equity Incentive Plan.

A Current Report on Form 8-K was filed with the SEC on May 23, 2014 regarding the 2014 Annual Meeting of Shareholders, with such filing being herein incorporated by reference.

**Arbitration with Precision Dose, Inc.**

An arbitration proceeding was commenced on May 9, 2014 by Precision Dose Inc., the parent company of TAGI Pharmaceuticals, Inc., alleging that the Company failed to properly supply, price and satisfy gross profit minimums regarding Phentermine 37.5mg tablets, as required by the parties' agreements. Elite denies Precision Dose's allegations and has counterclaimed that Precision Dose is no longer entitled to exclusivity rights with respect to Phentermine 37.5mg tablets, and is responsible for certain costs, expenses, price increases and lost profits relating to Phentermine 37.5mg tablets and the parties' agreements.

As of the date of filing of the Company's annual report on Form 10-K for Fiscal 2014, this arbitration proceeding was ongoing.